**DAVIDE CAMPARI-MILANO S.p.A.**
**HALF-YEAR REPORT**
**AT 30 JUNE 2018**

CAMPARI GROUP

# Contents

# Highlights

This half-year report at 30 June 2018, comprising the half-year report on operations and the condensed half-year financial statements, was prepared in accordance with article 154-*ter* of Legislative Decree 58/1998 as subsequently amended (the 'TUF').
The report was prepared in accordance with the International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and ratified by the European Union, and with the provisions of IAS 34 – Interim Financial Reporting.

| | First half 2018 | First half 2017(*) | change | |
|---|---|---|---|---|
| | | | total | organic |
| | € million | € million | % | % |
| **Net sales** | **778.2** | **816.3** | **-4.7%** | **5.4%** |
| Contribution margin | 337.0 | 342.8 | -1.7% | 7.3% |
| EBITDA | 207.5 | 186.8 | 11.1% | |
| **Adjusted EBITDA**(1) | **187.9** | **191.7** | **-2.0%** | **9.3%** |
| EBIT | 180.1 | 158.4 | 13.7% | |
| **EBIT adjusted**(1) | **160.5** | **163.4** | **-1.7%** | **9.5%** |
| Profit before tax | 166.0 | 108.5 | 53.0% | |
| Net profit - Group and non-controlling interests | 147.2 | 108.6 | 35.5% | |
| Group net profit | 147.2 | 108.6 | 35.5% | |
| **Adjusted Group net profit**(1) | **104.4** | **93.5** | **11.6%** | |
| ROS-EBIT margin (EBIT/net sales) | 23.1% | 19.4% | | |
| ROI % (Operating income / fixed assets) | 6.2% | 5.3% | | |
| Basic and diluted earning per share (€) | 0.13 | 0.09 | | |
| **Basic and diluted earning per share (€) adjusted**(1) | **0.09** | **0.08** | | |
| Average number of employees | 3,953 | 4,105 | | |
| Acquisition and sale of companies or business division | 15.8 | (37.5) | | |
| Free cash flow | 110.9 | 70.8 | | |
| **Adjusted free cash flow** | **138.5** | **91.4** | | |
| | 30 June 2018 | 31 December 2017 | | |
| | € million | € million | | |
| Net debt | 946.8 | 981.5 | | |
| Shareholders' equity - Group and non-controlling interests | 2,016.3 | 1,942.6 | | |
| Invested capital | 2,963.1 | 2,924.1 | | |

(*) The values shown for 30 June 2017 have been restated following application of the new accounting standard IFRS 15 – Revenue from Contracts with Customers. For more information on the impact of the new accounting standard, please refer to note 4 of the condensed half-year financial statements at 30 June 2018.
(1) For information on the definition of alternative performance indicators, see the 'Alternative performance indicators' section in the next part of this Report on operations.

**Information on the figures presented**
For ease of reference, all figures in this half-year report, in both the report on operations and the consolidated financial statements, are expressed in millions of Euro to one decimal place, whereas the original data is recorded and consolidated by the Group in Euro. Similarly, all percentages that relate to changes between two periods, rather than figures shown as a percentage of sales or other indicators, are always calculated on the basis of the original data in Euro. The use of values expressed in millions of Euro may therefore result in apparent discrepancies in both absolute values and percentage changes. For information on the definition of alternative performance indicators, see the next section of this half-year report.

# Corporate officers

| | |
|---|---|
| Marco P. Perelli-Cippo | Honorary Director |

**Board of Directors**(1)

| | |
|---|---|
| Luca Garavoglia | Chairman |
| Robert Kunze-Concewitz | Managing Director and Chief Executive Officer |
| Paolo Marchesini | Managing Director and Chief Financial Officer |
| Eugenio Barcellona | Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee(4) |
| Giovanni Cavallini | Director(5) |
| Camilla Cionini-Visani | Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee(4)(5) |
| Karen Guerra | Director (5)(6) |
| Thomas Ingelfinger | Director and member of the Control and Risks Committee and the Remuneration and Appointments Committee(4)(5) |
| Annalisa Elia Loustau | Director(5) |
| Stefano Saccardi | Director(1) |
| Catherine Vautrin-Gérardin | Director(5) |

**Board of Statutory Auditors**(2)

| | |
|---|---|
| Pellegrino Libroia | Chairman |
| Enrico Colombo | Statutory Auditor |
| Chiara Lazzarini | Statutory Auditor |
| Giovanni Bandera | Alternate Auditor |
| Graziano Gallo | Alternate Auditor |
| Piera Tula | Alternate Auditor |

**Independent auditors**(3)

PricewaterhouseCoopers S.p.A.

(1) The 11 members of the Board of Directors were appointed on 29 April 2016 by the shareholders' meeting and will remain in office for the three-year period 2016-2018. At the same shareholders' meeting, Luca Garavoglia was appointed Chairman and granted powers in accordance with the law and the Company's articles of association.
On the occasion of the Board of Directors meeting held on 19 December 2017, Stefano Saccardi resigned its powers, with effect from 31 December 2017, remaining a Director until natural expiry.
At a meeting held on the same date, the Board of Directors gave Managing Directors Robert Kunze-Concewitz and Paolo Marchesini the following powers for three years, until approval of the 2018 financial statements:
- individual signature: powers of ordinary representation and management, within the value or time limits established for each type of function;
- joint signature: powers of representation and management for specific types of function, within the value or time limits deemed to fall outside ordinary activities.

(2) The Board of Statutory Auditors was appointed on 29 April 2016 by the shareholders' meeting for the three-year period 2016-2018.

(3) On 30 April 2010, the shareholders' meeting appointed PricewaterhouseCoopers S.p.A. as its independent auditors for the nine-year period 2010-2018.

(4) The Control and Risks Committee and the Remuneration and Appointments Committee were appointed by the Board of Directors on 29 April 2016 for the three-year period 2016-2018.

(5) Independent director.

(6) Appointed by resolution of the Board of Directors on 29 April 2016.

# Half-year report on operations

## Significant events during the period

### Acquisitions and commercial agreements

**Acquisition of Bisquit**
On 31 January 2018, the Group closed the agreement to acquire Bisquit Dubouché et Cie. S.A. from South African group Distell. The company, which owns the Bisquit brand, is a cognac producer located in the heart of the French town of Cognac. The total net cash outlay was €52.7 million (of which total price paid by Group €59.4 million on the closing date, in addition to positive net financial position acquired, price adjustments, and payment for purchasing inventory from previous distributors). The acquired business includes inventory, specifically maturing stock, the brands, and production facilities consisting of warehouses for the ageing process, blending cellars and bottling lines.
The Bisquit brand is expected to record pro-forma sales of approximately €9.0 million in 2018. The brand's key markets are South Africa, Belgium, the duty free channel and Switzerland.
The acquisition of Bisquit represents an opportunity for the Group to expand its offer in the high-growth cognac category. With its deeply-rooted tradition, the Bisquit super premium brand enhances the Group's brands portfolio, and gives it a more varied product mix. This acquisition enables the Group to take full control of the cognac ageing process, creating brand innovation opportunities, and to obtain a significant stock of high-quality cognac; this also complements Grand Marnier, a cognac-based product that was already a key player in the region. Commercially, the deal further strengthens the Group's distribution platform, particularly on the South African market, where a direct sales force was recently launched, as well as in the US and China, key markets for the cognac category. Lastly, it further increases the Group's exposure to the super premium segment of the on-premise distribution channel, in both the developed and emerging markets.

**Joint-venture in South Korea**
In March 2018, the Group signed an agreement to create a joint-venture, Trans Beverages Co. Ltd (TB), in South Korea, with a local partner, BNC F&B Co. Ltd.. The aim of the agreement is to promote and develop the Group's products. The Group has a call option on the remaining shares, which represent 60% of the share capital.

### Business disposal

**Sale of Lemonsoda business**
On 2 January 2018, the Group closed an agreement to sell the Lemonsoda business to Danish-based beer and non-alcoholic drinks manufacturer Royal Unibrew A/S.
Total net proceeds, including contractual price adjustments, amounted to €80.2 million (total price received by the Group at the closing date of €81.5 million and positive net financial resources sold of €1.3 million). The sold business includes the alcohol-free, fruit-flavoured carbonated variants Lemonsoda, Oransoda, Pelmosoda and Mojito Soda, grouped under the Freedea brand name, and the Crodo brands. The sale did not include the Crodino brand. Besides the brands, the perimeter of the sale includes the manufacturing and bottling facility located in Crodo (Northern Italy), water springs and inventory.
In the fiscal year ended 31 December 2017, the business sold recorded total net sales of €32.6 million and a contribution margin (gross margin after advertising and promotional costs) of €4.1 million. Italy is the core market for the brands. The total consideration for the deal corresponds to a multiple of approximately 13 times the contribution margin, before allocated costs and depreciation, of the brands sold.
As part of the transaction, and effective from the closing date, Campari Group and Royal Unibrew entered into a multi-year manufacturing agreement, under which Royal Unibrew will continue to manufacture certain of Campari Group's own products which are currently produced at the bottling facility in Crodo.
The net assets sold were classified as net assets held for sale in the financial statements for the year ending 31 December 2017. The sale generated a total gain of €38.5 million in the first quarter of 2018, which was reported under Adjustments to operating income and charges, before deduction of the related tax effect of €0.7 million.
This transaction is in line with Campari Group's commitment to streamline its brand portfolio and increase its focus on its core spirits business.

**Termination of the agreement to distribute Brown Forman products in Italy**
The agreements to distribute Brown Forman products in Italy were terminated in April 2018. Sales – mainly relating to the Jack Daniel's brand – represented around 2% of Group net sales in the full year 2017.

## Restructuring activities

The Group has launched the following activities designed to improve the efficiency of its production facilities and move its sales structures closer to the business.

- **Relocation of the Campari America office to New York City**

On 11 December 2017, the Group officially relocated the administrative and commercial offices of Campari America from the premises in San Francisco to New York City, the new head office for the United States and for the North America business unit. The main reason for this decision to relocate to the heart of Manhattan is that New York is more central to the US spirits business. This will give Campari Group increasing weight in the US and North American markets. In addition, being closer to the Parent Company's European head office and to the other companies in the North America region will allow both fast and efficient interaction among the Group companies.

- **Outsourcing of US and Canadian accounting and administrative activities**

As part of the relocation project mentioned above, the Group decided to migrate the activities currently carried out by the American shared service center, which is also located in San Francisco, to an external provider. After a detailed evaluation, the Group concluded that this change could result in improved efficiency of the accounting and administrative procedures, including in terms of automation and technology innovation.

- **Optimisation of production plants in Brazil**

The Group announced the reorganisation of its operational structures in Brazil, including the planned closure of a plant in June 2018.
The Sorocaba plant, which was built in the early 1960s and became part of the Group in 2001 with the acquisition of Brazilian brands Dreher, Drury's and Old Eight, is not achieving the levels of operating efficiency required to ensure its long-term sustainability. The transfer of its current production lines to the Suape plant, built in 2010, will enable the Group to make better use of production capacity.
The initiative, which confirms the Group's commitment to ongoing investment in its own brands, aims to improve the operating efficiency of the local production structure, while keeping commercial operations with local consumers and customers unchanged.

## Other significant events

### Acquisition of 'Camparino'

Within the scope of its initiatives to create authentic brand houses for its main iconic brands in their respective traditional localities around the world, Campari Group has taken over management of the historic 'Camparino' premium bar and restaurant, with its main premises in the prestigious Vittorio Emanuele II shopping arcade in the centre of Milan.
The initiative will enable the Group to raise both its local and international visibility via its global priority brands, particularly Campari, in the premium on-premise channel.

### Purchase of own shares

In the period from 1 January to 30 June 2018, the Group purchased 4,500,000 own shares at an average price of €6.18, and sold 3,369,801 own shares after the exercise of stock options. At 30 June 2018, the Parent Company held 10,183,312 own shares, equivalent to 0.88% of the share capital.

### Ordinary Shareholders' Meeting of the Parent Company

On 23 April 2018, the Ordinary Shareholders' Meeting of Davide Campari-Milano S.p.A. approved the 2017 financial statements and agreed the distribution of a dividend of €0.05 per share outstanding (an increase of +11.1% from the dividend paid for 2016). The dividend was paid on 23 May 2018.
The total dividend, calculated on the shares outstanding and excluding own shares in the portfolio (11,394,314 shares) was €57,510,284.

## Innovation and new product launches

**Campari Red Diaries 2018**
On 30 January 2018, the new short movie in the 'Campari Red Diaries' campaign, 'The Legend of Red Hand', was launched. The new chapter is directed by Stefano Sollima and features film star Zoe Saldana and Italian actor Adriano Giannini. The story, which describes the pursuit of the perfect cocktail, has received more than 31 million views on YouTube, even more than the highly successful 2017 movie.

**Campari Cask Tales**
Campari Group launched a new version of the classic red bitter aperitif, finished in bourbon barrels, which strengthens Campari's credentials as a premium spirit. Campari Cask Tales was distributed in January 2018, before the official launch, to top international bartenders, and received extremely positive feedback. The commercial launch of 15,000 limited edition bottles worldwide took place in April, and will be exclusive to the global travel retail channel for six months.

**Averna**
Averna Riserva Don Salvatore was launched in January 2018 as a hand-crafted premium version of the classic Averna *amaro*. Produced and matured for 18 months in small oak barrels in Caltanissetta, Averna Riserva Don Salvatore offers a more intense taste experience and, together with Braulio Riserva and Cynar 70, forms part of the premium offer in the *amaro* category.

**O'ndina**
The launch of O'ndina marks Campari Group's entry into the super-premium gin segment. O'ndina, crafted from the distillation of fresh basil and other selected herbs typical of the Mediterranean coast, embodies the spirit of *la dolce vita*. It was launched in Europe in 2018, other markets will follow in subsequent years.

**Wild Turkey Bourbon**
In April 2018, Matthew McConaughey and Wild Turkey introduced Wild Turkey Longbranch, the result of a collaboration between the creative director of the iconic whiskey brand and master distiller Eddie Russell. A homage to Matthew McConaughey's roots in Kentucky and Texas, this fine bourbon is prepared using a unique production process that enriches the flavour and complexity of the whisky. The new product was launched live on Facebook, using Matthew's personal page (with over 5.2 million subscribers), followed by a major digital, social media and press campaign.
In June 2018, Eddie Russell unveiled the fourth series of Master's Keep, Master's Keep Revival, a limited edition created from Wild Turkey bourbon aged for 12-15 years and finished in selected sherry casks. Core markets include the United States, Australia, Japan and Global Travel Retail.

***Negroni Week* 2018**
For the sixth year, Campari was the main sponsor, in collaboration with Imbibe magazine, of Negroni Week, which celebrates the iconic cocktail Negroni. The international initiative was held in bars, restaurants and shops all over the world to raise funds for charities. The annual event, which has grown since last year, was held in 9,985 venues in 69 countries.

# Group operating and financial results

## Preliminary remarks

On 1 January 2018, the new accounting standard IFRS 15-Revenue from Contracts with Customers came into effect, which meant that certain cost components previously classified under the Group's advertising and promotional costs were deducted from revenue. These cases relate to products or services that cannot be separated from the main sale transaction, such as visibility initiatives at sales outlets, product listing fees, coupons, incentives and contributions paid to distributors that are not related to promotions and other marketing activities. For more details, see note 4-'Changes in accounting standards' of the condensed half-year financial statements at 30 June 2018.
The figures shown here for the first half of 2017 include the effects of the retrospective application of the new standard. Organic growth values for the first half of 2018 were calculated based on the financial accounts for the first half of 2018 and those of 2017, which were adjusted in the same way to take account of the new regulatory provisions. It should be noted that the figures for the years before 2017 were not reclassified based on the new accounting standard IFRS 15. Therefore, with reference to the bases of comparison, the organic changes, expressed as percentages, in the first half of 2017 compared with the same period in 2016, were calculated on a non-reclassified basis according to the new IFRS 15 accounting standard. They are, however, considered to be uniform and consistent with the organic percentage changes in the first half of 2018.

## Sales performance

### Overall performance

In the first half of 2018, the Group's net sales were €778.2 million, an overall decrease of -4.7% on the same period of last year. Good organic growth of +5.4% for the first half was completely offset by negative perimeter and exchange rate variations of -3.7% and -6.4% respectively.

| | First half 2018 | | First half 2017 | | total change | 6 months change, of which | | | | change % second quarter | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | total | organic | perimeter | exchange rate | total | organic |
| Americas | 333.3 | 42.8% | 371.1 | 45.5% | -37.7 | -10.2% | 4.6% | -3.1% | -11.7% | -7.0% | 6.0% |
| Southern Europe, Middle East and Africa | 236.2 | 30.3% | 243.4 | 29.8% | -7.2 | -3.0% | 4.0% | -6.9% | -0.1% | -3.3% | 6.3% |
| North, Central and Eastern Europe | 154.4 | 19.8% | 150.0 | 18.4% | 4.4 | 3.0% | 6.7% | -1.2% | -2.5% | 10.8% | 14.4% |
| Asia-Pacific | 54.3 | 7.0% | 51.9 | 6.4% | 2.4 | 4.6% | 14.6% | -0.6% | -9.4% | 4.5% | 11.7% |
| **Total** | **778.2** | **100.0%** | **816.3** | **100.0%** | **-38.1** | **-4.7%** | **5.4%** | **-3.7%** | **-6.4%** | **-1.8%** | **8.0%** |

### Organic change

Organic growth was +5.4% in the first half; this was achieved thanks to a performance acceleration in the second quarter (+8.0%) compared with the first (+2.2%), making up, as expected, for the delay in orders at the start of the year. Globally, sales increased in all regions in the six months. Growth was driven by the good performance of high-margin developed markets (such as the United States, western Europe and Australia), which more than offset the ongoing weakness caused in some emerging markets by a combination of macroeconomic factors and the unfavourable basis of comparison with the year-earlier period.
With regard to brand performance, it should be noted that sustained growth was achieved by both global priority brands (+8.7%) and regional priority brands (+4.7%), whose overall performance accelerated in the second quarter of 2018 (+12.5% and +10.6% respectively).
In terms of the main high-margin product/market combinations, the sales mix continued to improve, in line with the Group's growth strategy to continuously strengthen its global priority brands and key regional priority brands in the major developed markets.

The main trends in each of the geographical regions and brands in the first half of 2018 are described below.

❖ **Geographical regions**

- The **Americas** region closed the first half with organic growth of +4.6% (+6.0% in the second quarter), driven by good performances by the US (+5.9%), Jamaica (+14.8%), Mexico (16.1%) and other markets in the Americas region, which made up for the decline in Brazil and Argentina.
- The **Southern Europe, Middle East and Africa** region reported organic growth of +4.0% (+6.3% in the second quarter), driven by the good performance of its core market, Italy (+3.1%), and double-digit growth in France (+10.0%) and in the Global Travel Retail channel (+15.3%). These results were partially offset by a negative impact recorded in South Africa, where performance suffered from a basis of comparison that was affected by the launch of the new distribution structure.

- The **Northern, Central and Eastern Europe** region recorded positive growth in its key markets, closing the first half with organic growth of +6.7% (+14.4% in the second quarter), reversing the negative trend in the first quarter. Specifically, sustained growth was recorded in Germany (+7.4%), the region's key market; its acceleration in the second quarter more than offset the fall seen at the start of the year. Excellent performances were also recorded in the region's other markets (especially the UK and the Czech Republic), except for Russia, where the decline in sales was also due to an unfavourable basis of comparison with last year.
- Growth in the **Asia-Pacific** region remained strong, at +14.6% (+11.7% in the second quarter), driven by Australia (+10.7%) and Japan (+30.9%), as well as by the good performances by the region's other markets, especially New Zealand.

❖ ***Brands***

- The **Group's global priority brands** recorded total organic growth of +8.7% (+12.5% in the second quarter), thanks mainly to the excellent performance of Aperol (+24.7%) and the highly positive results of Campari (+8.0%), the Wild Turkey portfolio (+6.8%) and the Jamaican rums portfolio (+4.2%). The highly positive results of Grand Marnier in the first half (+13.2%) were supported by orders, which outperformed the brand's underlying performance, due to a favourable basis of comparison with the first semester 2017. Lastly, SKYY sales fell by -11.1% and continued to underperform final demand. However, this result did not affect the segment's overall performance.
- **Regional priority brands** closed the first half with organic growth of +4.7% (+10.6% in the second quarter), due to the excellent performance of Espolòn and healthy growth in sales of Bulldog, Riccadonna and Braulio, which was partially offset by the fall in other brands, such as Cinzano and Averna.
- The performance of **local priority brands** fell by -4.2% compared with the previous period (-7.0% in the second quarter). Healthy growth by Wild Turkey ready-to-drink in Australia was more than offset by the substantial slowdown in the Brazilian brands, due to the difficult macroeconomic situation in the country, and by the decline in Crodino and Campari Soda in Italy.

**Perimeter effect**

The negative perimeter effect, amounting to -3.7%, is attributable to the sale of non-core businesses (notably, Carolans and the Lemonsoda business) and the termination of the agreement to distribute Brown Forman products in Italy, which was partially offset by the acquisition of Bisquit.

The impact of these perimeter effects on sales is analysed in the table below.

| Breakdown of the perimeter effect | € million | % change on 2017 |
|---|---|---|
| **Acquisitions and sales of *business*** | | |
| Acquisitions (Bisquit) | 3.0 | 0.4% |
| Disposals | -30.9 | -3.8% |
| **Total acquisition and sales** | **-28.0** | **-3.4%** |
| **Distribution contracts** | | |
| New agency brands distributed | 0.7 | 0.1% |
| Discontinued agency brands | -3.1 | -0.4% |
| Total distribution contracts | **-2.4** | **-0.3%** |
| **Total perimeter effect** | **-30.4** | **-3.7%** |

- **Business acquisitions**

The acquisition of Bisquit Dubouché et Cie S.A., owner of the brand of the same name, only affected first-half sales from 1 February, since the transaction was completed on 31 January 2018.

The acquisition of Bulldog London Dry Gin, which was completed in February 2017, did not, however, generate a perimeter effect, as the brand was already distributed by the Group at the time of acquisition and is therefore included in annual organic sales growth.

- **Business sales**

The perimeter effects due to business sales in the first half of 2018 are as follows:

- sale of the Lemonsoda business, which was closed on 2 January 2018;
- sales of the Chilean wines Lapostolle business and French winery Château de Sancerre, which were closed on 31 January 2017 and 4 July 2017 respectively;
- sale of the Carolans and Irish Mist brands, which was closed on 1 August 2017; note that only sales of the brands in the US, Canada and Ireland are included in the calculation of the negative perimeter effect, and not those recorded in the other markets, where the Group will continue to sell the products under a multi-year distribution agreement.

- **Brands distributed**

In the first half of 2018, perimeter effects relating to brands distributed by the Group were mainly due to the termination of the agreement to distribute Brown Forman products in Italy with effect from April 2018.

**Exchange rate effects**

The significant negative exchange rate effect in the first half of 2018 (-6.4%) was associated with the depreciation against the Euro of nearly all the Group relevant currencies. It should be noted, however, that around half of this negative effect is due to the conversion of the US dollar.
The table below shows the average exchange rates for the first half of 2018 and spot rates at 30 June 2018 for the Group's most important currencies, together with the percentage change against the Euro, compared with the same period in 2017.

| | average exchange rates | | spot exchange rates | |
|---|---|---|---|---|
| | 2018 | change compared with 2017 | 30 June 2018 | change compared with 31 December 2017 |
| | 1 Euro | % | 1 Euro | % |
| US Dollar | 1.211 | -10.6% | 1.166 | 2.9% |
| Canadian Dollar | 1.546 | -6.6% | 1.544 | -2.6% |
| Jamaica Dollars | 152.834 | -9.0% | 151.224 | -1.2% |
| Mexican peso | 23.074 | -8.9% | 22.882 | 3.4% |
| Brazilian Real | 4.141 | -16.9% | 4.488 | -11.5% |
| Argentine Peso | 26.026 | -34.7% | 32.705 | -29.9% |
| Russia Rubles | 71.975 | -12.8% | 73.158 | -5.1% |
| Australian Dollar | 1.569 | -8.6% | 1.579 | -2.8% |
| Yuan Renminbi | 7.710 | -3.5% | 7.717 | 1.1% |
| Great Britain Pounds | 0.880 | -2.2% | 0.886 | 0.1% |
| Switzerland Francs | 1.170 | -8.0% | 1.157 | 1.1% |

**Sales by region**

Sales for the first half are analysed by region and key market below. The comments mainly relate to the organic component of the change in each market.

- **Americas**

The region, broken down into its core markets below, recorded overall organic growth of +4.6%.

| | % of Group total | First half 2018 | | First half 2017 | | total change | 6 months change, of which | | | | change % second quarter | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | € million | % | € million | % | € million | total | organic | perimeter | exchange rate | total | organic |
| US | 26.9% | 209.3 | 62.8% | 229.6 | 61.9% | -20.4 | -8.9% | 5.9% | -4.0% | -10.8% | -4.1% | 8.2% |
| Jamaica | 4.9% | 38.4 | 11.5% | 36.8 | 9.9% | 1.6 | 4.5% | 14.8% | 0.0% | -10.3% | 8.8% | 15.8% |
| Canada | 3.0% | 23.1 | 6.9% | 26.9 | 7.2% | -3.8 | -14.0% | 0.6% | -8.5% | -6.1% | -11.0% | 1.0% |
| Brazil | 2.1% | 16.0 | 4.8% | 26.4 | 7.1% | -10.5 | -39.6% | -27.2% | 0.0% | -12.3% | -37.3% | -24.1% |
| Argentina | 1.5% | 11.4 | 3.4% | 18.6 | 5.0% | -7.1 | -38.5% | -5.8% | 0.0% | -32.7% | -40.9% | -6.1% |
| Other countries | 4.5% | 35.2 | 10.5% | 32.8 | 8.8% | 2.4 | 7.2% | 18.2% | 0.1% | -11.1% | 9.4% | 20.8% |
| **Americas** | **42.8%** | **333.3** | **100.0%** | **371.1** | **100.0%** | **-37.7** | **-10.2%** | **4.6%** | **-3.1%** | **-11.7%** | **-7.0%** | **6.0%** |

The **United States**, the Group's core market with 26.9% of total sales, closed the first half with organic growth of +5.9%, which had accelerated in the second quarter (+8.2%). This was due to the excellent performance of Espolòn, Campari and Aperol, which again reported double-digit growth, as well as highly positive results from Wild Turkey and Jamaican rums. The sharp increase in sales of Grand Marnier was driven by orders, which outperformed the brand's underlying performance, due to a favourable basis of comparison with the previous period. These results more than offset the fall in sales of SKYY, which continues to suffer in its core market from ongoing competition within the category, weakness in the flavoured vodka segment, and loss of market share to brand leaders in the craft vodka segment. It should be noted, however, that SKYY sales are still underperforming the sell-out figures, which show a fall in the brand in the mid-single digits.

**Jamaica** recorded an increase in sales of +14.8% in the first half (+15.8% in the second quarter) thanks to the double-digit growth recorded in the period by all the main brands, such as Campari, Wray&Nephew Overproof, Appleton Estate and other rums and local brands, especially Magnum Tonic.

In **Brazil**, which is still in a difficult macroeconomic situation with political instability and high unemployment rates, sales fell by -27.2% in the first half of 2018. The negative performance, which was also penalised by an unfavourable basis of comparison with the first half of 2017 (+29.0%), was mainly caused by the local brands, especially Dreher, but also by Campari and SKYY. This result was only partially offset by Aperol, which continues to post double-digit growth.

In **Argentina**, organic sales fell by -5.8%, due to the weak macroeconomic conditions and the introduction of a more stringent credit management policy. The decrease, which was attributable to Campari and local brands, was partially offset by Aperol and SKYY, which continue to post double-digit growth, and the positive performance of Cinzano.

**Canada** recorded modest growth in sales compared with last year (+0.6%). Forty Creek, Aperol and Campari recorded good growth, continuing the first-quarter positive trend. This was partially offset by the decrease recorded by SKYY and Appleton in the first six months, attributable to a temporary postponement of orders.

Lastly, among the other countries in the region, good performances were recorded by **Mexico**, thanks to SKYY ready-to-drink, SKYY, Aperol and Espolòn, and **Peru**, due to Appleton and Riccadonna.

- **Southern Europe, Middle East and Africa**

The region, which is broken down by core market in the table below, reported organic growth of +4.0%.

| | % of Group total | First half 2018 | | First half 2017 | | total change | 6 months change, of which | | | | change % second quarter | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | € million | % | € million | % | € million | total | organic | perimeter | exchange rate | total | organic |
| Italy | 23.2% | 180.5 | 76.4% | 190.8 | 78.4% | -10.3 | -5.4% | 3.1% | -8.5% | 0.0% | -8.2% | 2.4% |
| Other countries of the region(*) | 7.2% | 55.6 | 23.6% | 52.6 | 21.6% | 3.1 | 5.8% | 7.6% | -1.4% | -0.3% | 16.4% | 21.8% |
| **Southern Europe, Middle East and Africa** | **30.3%** | **236.2** | **100.0%** | **243.4** | **100.0%** | **-7.2** | **-3.0%** | **4.0%** | **-6.9%** | **-0.1%** | **-3.3%** | **6.3%** |

(*) Includes the Global Travel Retail channel.

In **Italy**, the favourable trend seen at the start of the year continued, and the first half closed with organic growth of +3.1%. This result is due to the continuing positive trend shown by Aperol (+7.1%) and Campari (+12.1%), but was partially offset by the negative performance of single-serve aperitifs Crodino and Campari Soda. Of the amaro brands, however, Braulio and Cynar posted sustained growth, which partially offset the fall in Averna sales.

The **other countries in the region** reported growth of +7.6%, thanks to the good performance of nearly all the markets, particularly **France**, due to sales of Aperol and Riccadonna, GlenGrant and Campari, and **Spain**, driven by the continued growth in sales of Aperol and Campari.
In the African markets, **Nigeria** experienced positive growth and, thanks to Campari, recorded a double-digit recovery compared with the first half of the previous year, which had been affected by severe macroeconomic instability. This performance was partially offset by a contraction in **South Africa**, which suffered from an unfavourable basis of comparison, affected by the launch of the new distribution structure in the year-earlier period.

The **Global Travel Retail** channel reported organic growth of +15.3%, thanks to Wild Turkey bourbon, Aperol, Bulldog, Campari, Frangelico and Ouzo12.

- **Northern, Central and Eastern Europe**

The region posted overall organic growth of +6.7%, spread across its core markets.

| | % of Group total | First half 2018 | | First half 2017 | | total change | 6 months change, of which | | | | change % second quarter | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | € million | % | € million | % | € million | total | organic | perimeter | exchange rate | total | organic |
| Germany | 9.5% | 74.1 | 48.0% | 69.7 | 46.5% | 4.4 | 6.3% | 7.4% | -1.1% | 0.0% | 14.5% | 14.9% |
| Russia | 1.7% | 13.4 | 8.7% | 20.6 | 13.7% | -7.2 | -35.0% | -25.2% | -0.3% | -9.6% | -31.8% | -19.5% |
| United Kingdom | 1.9% | 14.8 | 9.6% | 12.9 | 8.6% | 1.9 | 14.4% | 17.0% | 0.0% | -2.6% | 16.9% | 19.3% |
| Other countries of the region | 6.7% | 52.2 | 33.8% | 46.8 | 31.2% | 5.4 | 11.6% | 16.8% | -2.2% | -3.0% | 18.8% | 24.3% |
| **North, Central and Eastern Europe** | **19.8%** | **154.4** | **100.0%** | **150.0** | **100.0%** | **4.4** | **3.0%** | **6.7%** | **-1.2%** | **-2.5%** | **10.8%** | **14.4%** |

In **Germany**, the region's core market, the first half closed with organic growth of +7.4%, thanks to its highly positive second-quarter performance (+14.9%), which reversed the first quarter's negative trend. Aperol recorded significant growth (+26.1%), with positive performances also delivered by the Cinzano portfolio, Bulldog, Campari and Ouzo12. The trend was slightly negative for Frangelico, SKYY and Averna, with the latter impacted by price repositioning during the first quarter.

The **UK** saw an increase of +17.0% (+19.3% in the second quarter), thanks to sustained growth in the period by Aperol, the Jamaican rums portfolio (particularly Wray&Nephew Overproof), Campari and Bulldog.

**Russia** recorded a fall of -25.2% in sales, suffering from both a highly unfavourable basis of comparison with the year-earlier period and the effects generated by price rises in the first quarter. In particular, healthy growth in

Aperol and Campari was unable to offset the fall in more important brands, such as Cinzano and Mondoro. This performance should also be seen in the context of a highly volatile economic environment, exacerbated by the typically low sales in the first quarter.

The **other countries in the region** grew by +16.8% (+24.3% in the second quarter), with positive performances in nearly all the markets, including solid growth in the **Czech Republic** (Aperol and Cinzano sparkling wines), **Benelux** (Aperol, Crodino and Grand Marnier) and **Austria** (Aperol).

- **Asia-Pacific**

The region, which is broken down by core market in the table below, recorded organic growth of +14.6%.

| | % of Group total | First half 2018 | | First half 2017 | | total change | 6 months change, of which | | | | change % second quarter | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | € million | % | € million | % | € million | total | organic | perimeter | exchange rate | total | organic |
| Australia | 4.8% | 37.1 | 68.3% | 36.6 | 70.6% | 0.4 | 1.2% | 10.7% | 0.0% | -9.5% | 4.4% | 12.1% |
| Other countries of the region | 2.2% | 17.2 | 31.7% | 15.2 | 29.4% | 1.9 | 12.8% | 24.1% | -2.0% | -9.4% | 4.6% | 11.0% |
| **Asia-Pacific** | **7.0%** | **54.3** | **100.0%** | **51.9** | **100.0%** | **2.4** | **4.6%** | **14.6%** | **-0.6%** | **-9.4%** | **4.5%** | **11.7%** |

In **Australia**, the region's core market**,** organic growth was +10.7%, thanks to another set of highly positive results from Wild Turkey ready-to-drink (+11.7%), achieved in a highly competitive market, Wild Turkey bourbon (+10.5%), and excellent double-digit growth in sales of Aperol and SKYY.

The **other countries** in the region saw growth of +24.1%. This performance was driven by **Japan**, which, following distribution changes, recorded strong results for Wild Turkey bourbon, SKYY Ready-to-drink, SKYY, Grand Marnier and Cinzano. New Zealand continued to grow steadily, driven by the Coruba brand, while sales in China were broadly stable.

### Sales by major brands at consolidated level

The following table summarises growth (split into its various components) in the Group's main brands in the first half of 2018, broken down into the categories identified by the Group based on the priority (global, regional, local and other).

| | Percentage of Group sales | change in percentage sales, of which | | | | change % second quarter |
|---|---|---|---|---|---|---|
| | | total | organic | perimeter | exchange rate | organic |
| Aperol | 17.4% | 22.0% | 24.7% | - | -2.7% | 25.7% |
| Campari | 10.5% | 2.4% | 8.0% | - | -5.6% | 9.0% |
| SKYY(1) | 8.7% | -20.5% | -11.1% | - | -9.4% | -7.7% |
| Wild Turkey portfolio(1)(2) | 7.6% | -3.9% | 6.8% | - | -10.6% | 7.3% |
| Grand Marnier | 7.4% | 2.7% | 13.2% | - | -10.5% | 24.0% |
| Jamaican rums portfolio(3) | 5.1% | -4.3% | 4.2% | - | -8.5% | 13.9% |
| **global priority brands** | **56.7%** | **1.4%** | **8.7%** | **-** | **-7.2%** | **12.5%** |
| Cinzano | 3.1% | -13.0% | -5.8% | - | -7.2% | 12.2% |
| Espolòn | 3.0% | 20.6% | 34.3% | - | -13.7% | 38.6% |
| Averna, Braulio and Cynar | 2.5% | -5.1% | -1.5% | - | -3.6% | -2.8% |
| Frangelico | 1.4% | -7.9% | -1.7% | - | -6.2% | 6.8% |
| GlenGrant | 1.2% | -3.6% | -0.8% | - | -2.8% | 21.5% |
| Forty Creek | 1.0% | -8.8% | -1.6% | - | -7.2% | 3.1% |
| Bulldog | 0.8% | 4.0% | 6.4% | - | -2.4% | 1.4% |
| other | 1.6% | 13.1% | 6.0% | 14.3% | -7.1% | -17.6% |
| **regional priority brands** | **14.6%** | **-0.9%** | **4.7%** | **1.3%** | **-6.9%** | **10.6%** |
| Campari Soda | 3.9% | -2.0% | -1.9% | - | -0.1% | -5.0% |
| Crodino | 3.8% | -1.7% | -1.5% | - | -0.2% | -5.1% |
| Wild Turkey portfolio ready-to-drink(4) | 2.0% | 1.7% | 11.3% | - | -9.5% | 14.7% |
| Dreher and Sagatiba | 1.0% | -43.8% | -33.0% | - | -10.7% | -29.4% |
| other | 1.9% | -8.1% | -3.4% | - | -4.7% | -9.7% |
| **local priority brands** | **12.6%** | **-7.8%** | **-4.2%** | **-** | **-3.5%** | **-7.0%** |
| **rest of the portfolio** | **16.1%** | **-21.9%** | **3.6%** | -20.0% | **-5.6%** | **4.8%** |
| **total** | **100.0%** | **-4.7%** | **5.4%** | **-3.7%** | **-6.4%** | **8.0%** |

(1) Excludes ready-to-drink.
(2) Includes American Honey.
(3) Includes Appleton, J.Wray and Wray&Nephew Overproof rum.
(4) Includes American Honey ready-to-drink.

The **Group's global priority brands** (56.7% of sales) posted organic growth of +8.7%, but were penalised in the six months by negative exchange rate effects of -7.2%, which led to an overall increase in sales of +1.4%. The comments below relate to the organic performance of individual brands.

In the first half of 2018, **Aperol** continued the trend seen in the previous periods. Solid organic growth of +24.7% (+25.7% in the second quarter) was achieved due to highly positive results, both in its core markets of Italy, Germany and Austria, and, more generally, in all the markets where the brand is being developed and consolidated. In particular, strong growth was posted in the United States, which is now the brand's third-largest

country by total sales, but also in France, Brazil, Russia, the UK, the Czech Republic, Spain, Australia and the Global Travel Retail channel.
**Campari** closed the first half with organic growth of +8.0% (+9.0% in the second quarter), with good results recorded in many markets, including the US, Italy, Nigeria, Jamaica and the UK. These positive performances offset the slowdown in some markets, including Japan, Argentina and Brazil.
The **Wild Turkey** portfolio, which includes American Honey, reported growth of +6.8% (+7.3% in the second quarter). This is the result of higher sales in both the US market (which also benefited from improvements in the sales mix, leading to double-digit growth in the super premium bourbon Russell's Reserve), in Japan and Australia. In other markets in which the brand was recently introduced, it is developing well despite low volumes. It should be noted that the performance described above does not include that of the Wild Turkey ready-to-drink portfolio, which is classified under local priority brands as it is an exclusively domestic business in the Australian market.
**SKYY** closed the first half with a fall of -11.1% (-7.7% in the second quarter), attributable to the negative performance of the United States. Fierce competition in this market within the category and ongoing weakness in the flavoured vodka segment penalised the brand's overall performance, which lost market share to brand leaders in the craft vodka segment. US sales of the brand are still underperforming the sell-out figures, whose decline has now stabilised in the mid-single digits. On the international markets, SKYY continues to record highly positive results in Argentina, Japan, Mexico and Jamaica. In contrast, performance was negative in Brazil, due to the difficult macroeconomic conditions adversely affecting the market, and in South Africa and China, which suffered from an unfavourable basis of comparison as a result of changes in the distribution structure in the year-earlier period.
**Grand Marnier** is starting to reap the benefits of the marketing actions carried out by the Group last year as part of its brand repositioning strategy. Sales increased by +13.2% in the first half, reflecting the outperformance by orders of the brand's underlying trend, due to a favourable basis of comparison in US market with the previous period.
The **Jamaican rums portfolio** (Appleton Estate, Wray&Nephew Overproof and J.Wray) reported organic growth of +4.2% in the first half, thanks to the upturn in the second quarter (+13.9%). Despite the good result in the United States and Jamaica, Appleton Estate recorded a slightly negative performance, mainly due to a slowdown in orders in Canada. Wray&Nephew Overproof recorded a good result in the first half, thanks to healthy performances in Jamaica, the brand's core market, the US and the UK.

The **regional priority brands** (14.6% of Group sales) posted growth of +4.7%. The good performances of Espolòn, Bulldog and the Mondoro and Riccadonna were partially offset by the downturn in other brands in the category.
**Espolòn** (+34.3% in the period) continues to enjoy excellent growth in the US, the brand's core market, and satisfactory results in the new international markets on which it was recently launched, including Italy and Canada.
**GlenGrant** confirmed results for the period in line with those of the previous year. The good results posted by the United States, France and Australia were partially offset by negative effects in Italy, Germany and the Global Travel Retail channel. This slowdown is attributable to the brand's gradual repositioning, the ultimate aim being to ensure increasing profitability via improvements in the sales mix, which will be driven by rebalancing the offer towards products with a longer ageing process.
**Forty Creek** recorded a fall in sales of -1.6%. Growth in the Canadian market failed to offset the fall in sales in the US market, despite the upturn in the second quarter.
Sales of **Averna, Braulio** and **Cynar** were slightly lower than in the previous period (-1.5%). Positive performances by Cynar in Argentina and Italy and by Braulio in Italy were offset by a fall in sales of Averna in Italy and Germany.
**Frangelico** closed the period down by -1.7%, driven by the fall in Germany, which was only partially offset by growth in the US and the Global Travel Retail channel.
**Bulldog** continued its growth trend (+6.4%), driven by the UK, Germany, Portugal and Italy.
**Cinzano** recorded an overall performance of -5.8%; this is mainly attributable to the slowdown in Russia in both the sparkling wines and vermouths segments, due to price increases implemented in the first quarter.
The **other brands** (including Riccadonna and Mondoro) posted a good result in the period, thanks to positive performances in France and the South American markets.
It should be noted that sales of the recently-purchased Bisquit brand, which is included in the regional priority brands, contributed to the Group's sales from February 2018.

**Local priority brands** (12.6% of the Group's portfolio) contracted by -4.2%. This performance is the result of good growth in the **Wild Turkey ready-to-drink** portfolio in Australia (+11.3%), offset by the extremely negative result of the low-margin **Brazilian brands** (-33.0%). Of the other local brands, **Cabo Wabo** recorded a fall in sales of -8.6% during the period, mainly due to an unfavourable basis of comparison with the year-earlier period (+24.9%). However, consumption figures continue to be positive. **Campari Soda** and **Crodino** recorded a slowdown in the Italian market, due to a comparison basis that was affected by the launch of innovation initiatives, while some recently-introduced international markets posted positive results although the volumes are still very low.

The **rest of the portfolio** (16.1% of the Group's sales) reported growth of +3.6% compared with the previous year, mainly driven by the Group's smaller brands in Jamaica and the UK, and by **SKYY ready-to-drink** in Mexico and Japan.

## Income statements

In the income statement for the first half of 2018, all the profitability indicators monitored by the Group showed a positive organic performance compared with the same period in the previous year. Specifically, while organic sales rose by +5.4%, the gross margin, the contribution margin and the adjusted result from recurring activities increased by +7.5%, +7.3% and +9.5% respectively. These indicators fell overall, due entirely to the expected negative exchange rate and perimeter effects. Organic growth in profitability benefited from the positive changes to the sales mix, driven by the continuous improvement in the main high-margin product/market combinations, in line with the Group's growth strategy.

The Group's profit before tax and net profit rose by +53.0% and +35.5% respectively, thanks to the significant impact of the capital gain generated by the sale of the Lemonsoda business, net of expenses for restructuring projects, other financial components and the related tax effects and other positive tax adjustments connected with the patent box tax regime. After adjusting for such operating, financial and tax components, the Group's profit before tax and net profit increased by +5.0% and +11.6% respectively.

The table below shows the income statement for the first half of 2018 and a breakdown of the total change by organic growth, external growth and exchange rate effects.

| | First half 2018 | | First half 2017[2] | | total change | | of which organic | | of which external | | of which due to exchange rates | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | % | € million | % | € million | % | € million | % |
| **Net sales** | **778.2** | **100.0** | **816.3** | **100.0** | **(38.1)** | **-4.7%** | **44.4** | **5.4%** | **(30.4)** | **-3.7%** | **(52.1)** | **-6.4%** |
| Cost of goods sold | (306.3) | (39.4) | (339.2) | (41.6) | 32.9 | -9.7% | (8.7) | 2.6% | 21.1 | -6.2% | 20.6 | -6.1% |
| **Gross profit** | **471.9** | **60.6** | **477.1** | **58.4** | **(5.2)** | **-1.1%** | **35.6** | **7.5%** | **(9.3)** | **-2.0%** | **(31.5)** | **-6.6%** |
| Advertising and promotional costs | (134.9) | (17.3) | (134.3) | (16.5) | (0.6) | 0.4% | (10.7) | 7.9% | 0.3 | -0.3% | 9.7 | -7.3% |
| **Contribution margin** | **337.0** | **43.3** | **342.8** | **42.0** | **(5.8)** | **-1.7%** | **25.0** | **7.3%** | **(9.0)** | **-2.6%** | **(21.7)** | **-6.3%** |
| Overheads | (176.5) | (22.7) | (179.4) | (22.0) | 2.9 | -1.6% | (9.5) | 5.3% | (0.5) | 0.3% | 12.9 | -7.2% |
| **Result from recurring activities**[1] | **160.5** | **20.6** | **163.4** | **20.0** | **(2.9)** | **-1.7%** | **15.5** | **9.5%** | **(9.5)** | **-5.8%** | **(8.9)** | **-5.4%** |
| Adjustments to operating income (charges)[1] | 19.6 | 2.5 | (5.0) | (0.6) | 24.5 | - | | | | | | |
| **Operating result**[1] | **180.1** | **23.1** | **158.4** | **19.4** | **21.7** | **13.7%** | | | | | | |
| Financial income (charges) | (14.8) | (1.9) | (23.0) | (2.8) | 8.2 | -35.7% | | | | | | |
| Adjustments to financial income (charges)[1] | 1.6 | 0.2 | (24.4) | (3.0) | 26.0 | -106.6% | | | | | | |
| Share of net profit (loss) of associates and joint-ventures | (0.1) | - | - | - | (0.1) | - | | | | | | |
| Put option income (charges) | (0.9) | (0.1) | (2.5) | (0.3) | 1.7 | -65.9% | | | | | | |
| **Profit before tax and non-controlling interests interest** | **166.0** | **21.3** | **108.5** | **13.3** | **57.5** | **53.0%** | | | | | | |
| Income tax expense | (18.8) | (2.4) | 0.2 | - | (18.9) | - | | | | | | |
| **Net profit** | **147.2** | **18.9** | **108.6** | **13.3** | **38.6** | **35.5%** | | | | | | |
| Non-controlling interests | - | - | - | - | - | - | | | | | | |
| **Group net profit** | **147.2** | **18.9** | **108.6** | **13.3** | **38.6** | **35.5%** | | | | | | |
| **Group profit before tax adjusted**[1] | **144.8** | **18.6** | **137.8** | **16.9** | **7.0** | **5.1%** | | | | | | |
| **Group net profit adjusted**[1] | **104.4** | **13.4** | **93.5** | **11.5** | **10.8** | **11.6%** | | | | | | |
| Total depreciation and amortisation | (27.4) | (3.5) | (28.4) | (3.5) | 0.9 | -3.3% | (2.3) | 8.2% | 1.0 | -3.5% | 2.3 | -8.0% |
| **Adjusted EBITDA**[1] | **187.9** | **24.2** | **191.7** | **23.5** | **(3.8)** | **-2.0%** | **17.8** | **9.3%** | **(10.5)** | **-5.5%** | **(11.1)** | **-5.8%** |
| **EBITDA** | **207.5** | **26.7** | **186.8** | **22.9** | **20.8** | **11.1%** | | | | | | |

(1) For information on the definition of alternative performance indicators, see the 'Alternative performance indicators' section in the next part of this Half-year report on operations.
(2) Includes the effects of the reclassification arising from the application of the new accounting standard (IFRS 15). For more information, see section 4 – 'Changes in accounting standards' of the condensed half-year financial statements at 30 June 2018.

The resulting changes in the Group's profitability, calculated in basis points, are shown below.

| Margin accretion (dilution) in basis point[(*)] | Total | Organic |
|---|---|---|
| Cost of goods sold | 220 | 110 |
| **Gross margin** | **220** | **110** |
| Advertising and promotional costs | (90) | (40) |
| **Contribution margin** | **130** | **70** |
| Overheads | (70) | - |
| **Adjusted result from recurring activities**[(1)] | **60** | **80** |

(*) There may be rounding effects given that the basis points corresponding to the dilution have been rounded to the nearest ten.
(1) For information on the definition of alternative performance indicators, see the 'Alternative performance indicators' section in the next part of this Half-year report on operations.

The most important income statement items are analysed below. See the previous section for a detailed analysis of sales for the period.

The **gross margin** for the period was €471.9 million, a fall of -1.1% on the year-earlier period. The organic growth component of +7.5% was more than offset by negative perimeter and exchange rate variations of -2.0% and -6.6% respectively. As a percentage of sales, it rose from 58.4% in the first half of 2017 to 60.6%, with an increase in profitability of 220 basis points, of which 110 related to perimeter and exchange rate effects. With regard to organic growth, the positive result was achieved thanks to the improvement in the product/market mix and the continuous strengthening of the main high-margin global priority brands and key regional priority brands, as explained in the section on sales performance. These results amply cancelled out the negative impact, which had been intensifying during the second quarter, of the rise in the price of agave, included in the cost of goods sold. The negative perimeter effect of -2.0% was chiefly due to the sale of non-core brands Carolans and Irish Mist and the Lemonsoda business, and the termination of some low-margin agency brands, which therefore generated an accretive effect on the gross margin.

**Advertising and promotional costs** amounted to 17.3% of sales in the period, showing an increase on the figure of +16.5% in the first half of 2017. Organic advertising investment increased by +7.9%, compared with organic sales growth of +5.4%, thereby generating dilution of 40 basis points. The investment was due to the implementation of some major marketing campaigns, mainly associated with the global priority brands, such as Campari, Aperol and Grand Marnier, and regional priority brands. It should be noted that advertising and promotional costs as a percentage of sales for both periods under comparison are calculated on the income statement values after applying IFRS 15-Revenue from contracts with customers.

The **contribution margin** was €337.0 million, a slight decrease of -1.7% on the same period of 2017. The organic growth component was +7.3% and contributed to an increase in profitability of 70 basis points. Perimeter and exchange rate variations were, however, negative at -2.6% and -6.3% respectively. These effects contributed to an increase in overall profitability of 60 basis points, mainly due to the sale of low-profitability businesses and less advertising pressure compared to the Group average.

**Overheads** slightly fell overall by -1.6% on the year-earlier period. As a percentage of sales, overheads were 22.7% in the first half of 2018, an increase on the figure of 22.0% in the year-earlier period, generating a total dilutive effect of 70 basis points. The organic component of the increase in overheads was +5.3%, broadly in line with organic sales growth of +5.4%. This performance reflects the full recognition, in the first half of the year, of the progressive strengthening of the distribution structures during the previous year.
In overall terms, organic growth in overheads was more than offset by exchange rate trends (-7.2%), while the effect of the deconsolidation of the businesses that were sold, which did not have an impact on the Group's structures, was broadly neutral (+0.3%).

The **adjusted result from recurring activities (adjusted EBIT)** was €160.5 million, an overall decrease of -1.7% compared with the same period of 2017. As a percentage of sales, it was 20.6% in the first half of 2018, an increase on the figure of 20.0% for the year-earlier period; this reflects an overall improvement in profitability of 60 basis points. At organic level, adjusted EBIT rose by +9.5%, representing an increase of 80 basis points in profitability.
The main factors that affected the organic results were:
- an improvement in gross margin, which boosted organic profitability by 110 basis points;
- a slight increase in advertising and promotional costs as a percentage of sales, generating a dilution of marginality of 40 basis points;
- a neutral impact by overheads.

The impact of the perimeter changes on the adjusted result from recurring activities was -5.8%, attributable mainly to the effect of the sales of non-core businesses Carolans and Irish Mist and the Lemonsoda business; the impact due to the exchange rate variations of -5.4% was mainly due to the strengthening of the Euro against the US Dollar.

**Adjustments to operating income and charges** showed a net income balance of €19.6 million for the first half of 2018. The sale of the Lemonsoda business entailed the recording of a capital gain of €38.5 million, which more than offset the costs incurred for the Group's organisational restructuring operations currently under way. For more information, please see the section on 'Significant events during the period'. This item compares with an adjusted net operating charge of €5.0 million in the first half of 2017, due to restructuring initiatives.

The **operating result** for the first half of 2018 was €180.1 million, reflecting overall growth of +13.7% compared with the year-earlier period. The ROS (return on sales), operating result as a percentage of net sales, came in at 23.1% (19.4% in the first half of 2017).

**Depreciation and amortisation** in the period totalled €27.4 million, down -3.3% on the first half of 2017.

**Adjusted EBITDA** totalled €187.9 million, a fall of -2.0%, mainly due to exchange rate and perimeter effects, which more than offset the organic increase of +9.3%.
**EBITDA** was €207.5 million, an increase of +11.1% on the same period of 2017.

**Net financial charges** stood at €14.8 million, a decrease of €8.2 million on the figure of €23.0 million recorded in the same period of 2017. The reduction is largely due to the general decrease in average debt, which fell from €1,214.8 million in the first half of 2017 to €955.7 million in the first half of 2018. It should be noted that average debt in the first half of 2017 incorporated the effects of the SPML acquisition, while in the first half of 2018 it benefited from the recent sales of non-core businesses. The average cost of debt, which excludes the effects of exchange differences and adjustments to financial income and charges, was 3.0%, unchanged on the first half of 2017.

In the first half of 2018, positive **adjustments to operating income (charges)** of €1.6 million were recorded, due to the sale of financial assets, compared with significant charges incurred in the same period of 2017 (€24.4 million), which were largely attributable to non-recurring liability management transactions carried out in April 2017.

In the first half of 2018, the item **income (charges) relating to put options** and **earn-outs** showed a net charge of €0.9 million; this was mainly due to the non-cash effects of both the discounting to present value of payables for future commitments to buy company shareholdings, and the review of estimates of earn-out payables.

**The Group's profit before tax** was €166.0 million, an increase of +53.0% compared with the same period of 2017. Net profit as a percentage of sales was 21.3% (13.3% in 2017).
After adjusting for these operating and financial components, the Group's profit before tax amounted to €144.8 million, an increase of 5.0% on the first half of 2017, which was also adjusted in the same manner.

**Income tax** for the first half of 2018 totalled €18.8 million. The overall tax rate (inclusive of all operating, financial and tax adjustments) in the first half 2018 was 11.3% compared with a positive tax rate in the year-earlier period (-0.1%). It should be noted that the first half of 2017 included the effects of the first-time recognition of the non-recurring benefit arising from patent box tax regime for the tax years 2015, 2016 and first half 2017, totalling €36.2 million. In the first half of 2018, this benefit had a positive effect of €14.8 million on the tax charge. The normalised tax rate, i.e. the ratio of normalised income tax to the Group's profit before tax excluding adjustments to operating, financial and fiscal income and charges for the period, was 27.9% in the first half of 2018, lower than the rate of 32.1% in the first half of 2017. This result was obtained thanks to the more favourable geographical mix, driven by countries with lower taxation. In particular, the recent tax reform in the United States generated a reduction of the current tax rate and affected the non-cash deferred taxes component (recorded for the purposes of cancelling out the effect of the tax-deductibility of amortisation on goodwill and brands), which fell to €8.0 million in the first half of 2018 (€11.9 million in the year-earlier period). If the effects of the above-mentioned non-cash components are also excluded, the tax rate related to the cash component is 22.3%, lower than the figure of 23.5% for the first half of 2017.

The **Group's net profit** for the first half of 2018 was €147.2 million in 2018, an increase of +35.5% compared with the same period of 2017. Profit as a percentage of sales was 18.9% (13.3% in 2017). After adjusting for operating, financial and tax components, net profit before tax was €104.4 million, a rise of +11.6% on the first half of 2017, which was also adjusted in the same manner.

**Basic and diluted earnings per share**, of €0.13, amounted to €0.09 once adjusted for the above-mentioned components. Basic and diluted earnings per share increased of +12.1% and +10.1% respectively compared with the year-earlier figures, which had also been coherently adjusted.

## Profitability by business area

A breakdown of the four geographical regions in which the Group operates is given below, showing each segment's percentage of sales and of the operating result in the two periods under review.

| | First half 2018 | | | | First half 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Net sales | % of total | Result from recurring activities | % of total | Net sales | % of total | Result from recurring activities | % of total |
| | € million | % | € million | % | € million | % | € million | % |
| Americas | 333.3 | 42.8 | 65.8 | 41.0 | 371.1 | 45.5 | 72.6 | 44.5 |
| Southern Europe, Middle East and Africa | 236.2 | 30.3 | 44.0 | 27.4 | 243.4 | 29.8 | 44.1 | 27.0 |
| Northern, Central and Eastern Europe | 154.4 | 19.8 | 46.0 | 28.6 | 150.0 | 18.4 | 43.6 | 26.7 |
| Asia-Pacific | 54.3 | 7.0 | 4.7 | 3.0 | 51.9 | 6.4 | 3.0 | 1.8 |
| **Total** | **778.2** | **100.0** | **160.5** | **100.0** | **816.3** | **100.0** | **163.4** | **100.0** |

- **Americas**

This region makes the largest contribution to the Group in terms of both sales and the result from recurring activities, at 42.8% and 41.0% respectively.
The direct markets of the US, Jamaica, Brazil, Argentina, Peru, Mexico and Canada together represent nearly all of the region's sales. The results for the first half were as follows:

| | First half 2018 | | First half 2017 | | Total change | | Organic change | | Organic accretion/dilution of profitability |
|---|---|---|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | % | € million | % | Basis points |
| **Net sales** | **333.3** | **100.0** | **371.1** | **100.0** | **(37.7)** | **-10.2%** | **16.9** | **4.6%** | |
| **Gross margin** | **196.8** | **59.1** | **215.9** | **58.2** | **(19.1)** | **-8.8%** | **14.0** | **6.5%** | **110** |
| Advertising and promotional costs | (63.2) | (19.0) | (68.2) | (18.4) | 5.0 | -7.4% | (3.6) | 5.3% | (10) |
| Overheads | (67.9) | (20.4) | (75.1) | (20.2) | 7.2 | -9.6% | (3.4) | 4.6% | - |
| **Result from recurring activities** | **65.8** | **19.7** | **72.6** | **19.6** | **(6.8)** | **-9.4%** | **6.9** | **9.6%** | **90** |

Sales in the region fell overall by -10.2% in the first half of 2018. Sustained organic growth of +4.6%, driven by the good performance of the North American markets, which more than offset Brazil and Argentina. This result was largely cancelled out by a significant negative exchange rate effect, exacerbated by negative perimeter changes stemming from the sale of the Carolans and Irish Mist brands.

The result from recurring activities fell by -9.4% overall, and recorded a sales margin of 19.7%, a total increase of 20 basis points. Organic growth was +9.6%, generating an improvement of 90 basis points in profitability. The main factors that determined these organic results were as follows:

- the **gross margin** rose by +6.5% at organic level, increasing profitability by 110 basis points, due to a favourable product/market mix. This was driven by healthy growth in the global and regional brands in North America, with the exception of SKYY, a highly profitable market, together with the fall in low-margin markets such as Argentina and Brazil. This result more than offset the negative impact of the rise in the price of agave, which dilutive effect had been intensifying starting from the second quarter;
- **advertising and promotional costs** saw an organic increase of +5.3% with a resulting dilutive effect of 10 basis points. Investment was finalised on supporting the main global brands, such as Aperol in the United States, where the brand is experiencing double-digit growth, and the regional brands;
- **overheads** saw organic growth of +4.6%, which was in line with organic sales growth; the effect on profitability was therefore neutral.

- **Southern Europe, Middle East and Africa**

The Southern Europe, Middle East and Africa region includes the direct markets of Italy, Spain and South Africa, as well as markets served by third-party distributors. In the first half of 2018, this was the Group's second-largest area in terms of sales and profitability, with a contribution of 30.3% and 27.4% respectively. The results for the first half were as follows:

| | First half 2018 | | First half 2017 | | Total change | | Organic change | | Organic accretion/dilution of profitability |
|---|---|---|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | % | € million | % | Basis points |
| **Net sales** | **236.2** | **100.0** | **243.4** | **100.0** | **(7.2)** | **-3.0%** | **9.8** | **4.0%** | |
| **Gross margin** | **152.5** | **64.6** | **146.0** | **60.0** | **6.5** | **4.5%** | **8.2** | **5.6%** | **90** |
| Advertising and promotional costs | (37.7) | (16.0) | (35.2) | (14.5) | (2.5) | 7.0% | (2.5) | 7.0% | (40) |
| Overheads | (70.8) | (30.0) | (66.6) | (27.4) | (4.2) | 6.2% | (3.7) | 5.5% | (40) |
| **Result from recurring activities** | **44.0** | **18.6** | **44.1** | **18.1** | **(0.1)** | **-0.3%** | **2.1** | **4.7%** | **10** |

Sales fell by -3.0% overall. The sale of the Lemonsoda business, together with the termination of the agreement to distribute Brown Forman products in Italy, generated a negative effect of -6.9% on sales. Organic growth was +4.0%, driven by Italy, the region's main market, and by sustained growth in the rest of the region, including the Global Travel Retail channel.
The result from recurring activities was broadly in line with that of the first half of 2017 (a fall of -0.3% overall) and recorded a sales margin of 18.6%, a total increase of 50 basis points. This comprised organic growth of +4.7%, which was higher than sales growth, with a positive impact on profitability of 10 basis points. The effects that led to this improvement were as follows:

- the **gross margin** rose by +5.6% at organic level, equivalent to 90 basis points, supported by the excellent performance of the high-margin aperitifs category in all markets in the region;
- **advertising and promotional costs** rose by +7.0% at organic level, with a dilutive effect of 40 basis points, due to sustained activity focused on the high-potential markets of southern Europe, and on some regional priority brands and the Global Travel Retail channel;
- **overheads** rose by +5.5% at organic level, generating a dilution in profitability of 40 basis points, due to the strengthening of the Group's sales structures for the on-premise channel in selected markets; this more than cancelled out the efficiencies generated by the integration of SPML.

- **Northern, Central and Eastern Europe**

The Northern, Central and Eastern Europe region includes direct markets such as Germany, Austria, Switzerland, Benelux, the UK, Russia and Ukraine, as well as markets served by third-party distributors. The region's contribution to the Group's sales and result from recurring activities in the first half of 2018 was 19.8% and 28.6% respectively. The results for the first half were as follows:

| | First half 2018 | | First half 2017 | | Total change | | Organic change | | Organic accretion/dilution of profitability |
|---|---|---|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | % | € million | % | Basis points |
| **Net sales** | **154.4** | **100.0** | **150.0** | **100.0** | **4.4** | **3.0%** | **10.0** | **6.7%** | |
| **Gross margin** | **98.4** | **63.7** | **92.3** | **61.5** | **6.1** | **6.6%** | **9.5** | **10.3%** | **210** |
| Advertising and promotional costs | (26.5) | (17.2) | (23.5) | (15.7) | (3.0) | 12.8% | (3.7) | 15.9% | (140) |
| Overheads | (25.9) | (16.8) | (25.2) | (16.8) | (0.7) | 2.9% | (1.8) | 7.2% | (10) |
| **Result from recurring activities** | **46.0** | **29.8** | **43.6** | **29.1** | **2.3** | **5.4%** | **4.0** | **9.1%** | **70** |

Sales in the region rose overall by +3.0%. Excluding the negative exchange rate and perimeter effects, it recorded growth of +6.7%, largely driven by the excellent performance of Aperol in all areas in the region.

The result from recurring activities rose by +5.4% overall and recorded a sales margin of 29.8%, a total increase of 70 basis points. Organic growth was 9.1%, generating an increase in profitability of 70 basis points, driven by the following effects:

- **gross margin** saw solid organic growth of +10.3%, generating an increase in profitability of 210 basis points, due to improvements in the geographical/product mix. This positive result was driven by the aperitifs segment (especially Aperol), which recorded double-digit increases in the region's key markets, such as Germany, Austria, Russia, the UK and the Czech Republic;
- **advertising and promotional** costs increased by +12.8% overall, with a dilutive effect of 140 basis points at organic level, and reflect focused advertising investments on the aperitifs segment for the summer peak seasonality;
- **overheads** rose by +7.2% at organic level, with a dilution in profitability of 10 basis points, caused by the strengthening of the sales structures for the on-premise channel in some high-potential markets.

- **Asia-Pacific**

The Asia-Pacific region includes the direct markets of Australia and New Zealand, as well as markets served by third-party distributors. The region's contribution to the Group's sales and result from recurring activities in the first half of 2018 was 7.0% and 3.0% respectively. The results for the first half were as follows:

| | First half 2018 | | First half 2017 | | Total change | | Organic change | | Organic accretion/dilution of profitability |
|---|---|---|---|---|---|---|---|---|---|
| | € million | % | € million | % | € million | % | € million | % | Basis points |
| **Net sales** | **54.3** | **100.0** | **51.9** | **100.0** | **2.4** | **4.6%** | **7.6** | **14.6%** | |
| **Gross margin** | **24.2** | **44.5** | **22.8** | **44.0** | **1.3** | **5.8%** | **3.9** | **16.9%** | **90** |
| Advertising and promotional costs | (7.5) | (13.8) | (7.4) | (14.2) | (0.1) | 1.9% | (0.8) | 11.2% | 40 |
| Overheads | (11.9) | (21.9) | (12.5) | (24.0) | 0.5 | -4.4% | (0.5) | 4.2% | 220 |
| **Result from recurring activities** | **4.7** | **8.7** | **3.0** | **5.8** | **1.7** | **58.0%** | **2.5** | **83.6%** | **350** |

The region recorded an overall increase of +4.6% in sales. Excluding the negative exchange rate and perimeter effects, it recorded double-digit growth (+14.6%), thanks to the good performance of the portfolio of brands in the region.

The result from recurring activities rose by +58.0% overall and recorded a sales margin of 8.7%, a total increase of 300 basis points. Organic growth was 83.6%, generating an increase in profitability of 350 basis points, driven by the following effects:

- the **gross margin** saw sustained organic growth (+16.9%), generating an improvement in profitability of 90 basis points, driven by the excellent performance of Wild Turkey bourbon and Aperol;
- **advertising and promotional costs** increased by +11.2% at organic level. The increase is, however, still lower than organic sales growth, with a resulting accretive effect on profitability of 40 basis points;
- **overheads** rose by +4.2% at organic level, contributing to an increase in profitability of 220 basis points.

## Reclassified statement of cash flows

The table below shows a simplified and reclassified version of the statement of cash flows in the financial statements.
The main restatement was the exclusion of cash flows relating to changes in short-term and long-term debt, and in investments in marketable securities. The total cash flow generated (or absorbed) in the period thus corresponds to the change in net financial position.

| | | First half 2018<br>€ million | *of which recurring*<br>€ million | First half 2017<br>€ million | *of which recurring*<br>€ million |
|---|---|---|---|---|---|
| **EBITDA Adjusted** | | **187.9** | **187.9** | **191.7** | **191.7** |
| Changes from operating activities | | (13.4) | 2.6 | (34.7) | (33.7) |
| Taxes paid | | (24.2) | (12.4) | (22.2) | (32.4) |
| **Cash flow from operating activities before changes in working capital** | | **150.3** | **178.0** | **134.8** | **125.7** |
| Changes in net operating working capital | | (21.1) | (21.1) | (13.4) | (13.4) |
| **Cash flow from operating activities** | | **129.2** | **156.9** | **121.4** | **112.3** |
| Net interests paid | | (1.1) | (1.1) | (0.1) | (0.1) |
| Adjustments to financial income (charges) | | 1.6 | - | (23.2) | - |
| Net capital expenditure | | (18.8) | (17.3) | (27.3) | (20.8) |
| **Free cash flow** | **A** | **110.9** | **138.5** | **70.8** | **91.4** |
| Sale and purchase of companies or business division | | 22.3 | | (14.5) | |
| Dividend paid out by the Parent Company | | (57.5) | | (52.1) | |
| Other changes | | (21.4) | | (10.9) | |
| **Total cash flow used in other activities** | **B** | **(56.6)** | | **(77.6)** | |
| **Exchange rate differences and other changes** | **C** | **(27.1)** | | **(24.1)** | |
| **Change in net financial position due to operating activities** | **A+B+C** | **27.2** | | **(30.8)** | |
| Put option and earn out changes | | 7.6 | | (22.4) | |
| Opening restatements[2] | | - | | (7.2) | |
| **Net cash flow of the period = change in net financial position** | | **34.7** | | **(60.4)** | |
| **Net financial position at the beginning of the period published** | | **(981.5)** | | **(1,199.5)** | |
| **Net financial position at the beginning of the period reclassified** | | **(981.5)** | | **(1,192.4)** | |
| **Net financial position at the end of the period** | | **(946.8)** | | **(1,252.8)** | |

[1] This item, which is a non-cash item, was included purely to reconcile the change in the net financial position due to operating activities in the period with the overall change in the net financial position.
[2] For information on reclassifications of opening book values, see note 6 – 'Reclassifications of opening book values' of the condensed half-year financial statements to 30 June 2017.

In the first half of 2018, **net cash flow** reflected cash generation of €34.7 million, corresponding to the decrease in Group financial debt compared with 31 December 2017.
A comparison with the year-earlier period, which reported overall negative cash flow of €60.4 million overall, shows that the acquisitions and sales of businesses had a significant impact.
**Free cash flow** of €110.9 million was generated overall in the first half of 2018; this is the result of cash flow from operating activities of €129.2 million, which was partly used to pay net financial interest and to make net investments of €18.3 million.
The following factors contributed to the higher cash generation than in the previous year:

- adjusted EBITDA decreased by €3.9 million compared with the same year-earlier period;
- operating changes, which include provisions net of utilisations and other non-cash changes, in addition to changes in non-commercial or financial assets and liabilities (indirect taxation and excise duties), absorbed cash of €13.4 million (€34.7 million cash absorbed in the first half of 2017);
- income tax paid in the period totalled €24.2 million (€22.2 million in the first half of 2017). Excluding the non-recurring tax components, attributable to the benefit of the patent box tax regime and taxes on the sale of properties sold during the previous year, paid taxes amounted to €12.4 million in the first semester 2018 (€32.4 million in the first semester 2017). The difference between the compared periods is due to the deferral of payments and the utilization of the benefit of the patent box tax regime in the second semester 2018;
- working capital saw an organic increase of €21.1 million in the first half of 2018 (€13.4 million in the same period in 2017);
- recurring net interest paid was €1.1 million (€0.1 million in the first half of 2017); non-recurring financial components were positive at €1.6 million (however, the first half of 2017 incorporated a significant impact in terms of expenses paid to carry out liability management transactions, of €23.2 million);

- net investment spending was €18.8 million. Recurring net spending was €17.3 million (€20.8 million in the first half of 2017).

Free cash flow adjusted for all non-recurring components amounted to €138.5 million in 2018 (€91.4 million in 2017).

**Cash flow used in other activities** was negative at €56.6 million, compared with €77.6 million in the same period of 2017. The change partly incorporates the effect of non-recurring transactions carried out by the Group in the two periods under comparison:

- in the first half of 2018, the sale of the Lemonsoda business more than covered the cash requirement for completing the acquisition of Bisquit Dubouché et Cie. S.A. and Camparino, generating total net liquidity of €22.3 million;
- in the first half of 2017, the acquisition of Bulldog, net of the sale of the Chilean wines business, generated net cash absorption totalling €14.5 million.

Finally, cash flow used in other activities was further affected by dividend payments of €57.5 million and other decreases (€21.4 million) arising mainly from stock option plans.

**Exchange rate differences** and **other changes** had a negative impact of €27.1 million on the 2018 net cash flow; this reflects the effect of exchange rate differences on operating working capital, as well as the recognition of some non-cash items, which were included for the purposes of reconciling the changes in cash flow with the change in the net financial position.

The change in **financial payables relating to put options** and **earn-outs**, shown here purely for the purposes of reconciling the financial position for the period with the total net financial position, is attributable to payables arising in connection with acquisitions of company shareholdings (SPML) and estimated earn-out payments (Bulldog).

## Breakdown of net debt

At 30 June 2018, the consolidated net financial position was negative at €946.8 million, a decrease of €34.7 million on the amount of €981.5 million reported at 31 December 2017.

The table below shows how the debt structure changed during the two periods under comparison.

| | 30 June 2018 | 31 December 2017 | change |
|---|---|---|---|
| | € million | € million | € million |
| Cash and cash equivalents | 558.2 | 514.5 | 43.7 |
| Payables to banks | (9.1) | (17.6) | 8.5 |
| Lease payables | (0.1) | (0.1) | 0.0 |
| Other financial receivables and payables | 9.1 | 0.2 | 9.0 |
| **Short-term net financial position** | **558.1** | **496.9** | **61.2** |
| Payables to banks | (300.1) | (300.4) | 0.4 |
| Non current lease payables | (1.0) | (1.3) | 0.3 |
| Bonds(*) | (1,003.9) | (996.3) | (7.6) |
| Other financial receivables and payables | 10.6 | 37.8 | (27.2) |
| **Medium-/long-term net financial position** | **(1,294.3)** | **(1,260.3)** | **(34.0)** |
| **Debt relating to operating activities** | **(736.2)** | **(763.4)** | **27.2** |
| Liabilities for put option and earn out payments | (210.6) | (218.2) | 7.6 |
| **Net financial position** | **(946.8)** | **(981.5)** | **34.7** |

(*) Including the relevant derivatives.

In terms of structure, the net financial position at 30 June 2018 continued to comprise a larger medium-/long-term debt component compared with the short-term portion.

The final short-term net financial position was €558.1 million, an increase of €61.2 million on the figure at 31 December 2017, and consisted mainly of cash and cash equivalents (€558.2 million).

Current payables to banks, totalling €9.1 million, were offset by other financial receivables and payables of various types; these included payables of €19.6 million for interest accrued on existing bonds, offset by the Parent Company's cash investments maturing in 2019 (€27.2 million), which were classified under long-term components at the end of the previous year.

The medium-/long-term items include bond loans of €1,003.9 million (including a liability of €7.4 million for hedging derivatives), bank payables of €300.1 million and other net financial assets totalling €10.6 million. The latter mainly include financial receivables and restricted deposits for the settlement of put options associated with business acquisitions.

Separately, the Group's net financial position includes a financial payable of €210.6 million, comprising a payable for future commitments to purchase non-controlling interests in acquired companies and payables for future earn-outs.

The impact of the purchases and sales of businesses carried out in the first half of 2018 on the net financial position is summarised below:
- the acquisition of Bisquit Dubouché et Cie. S.A. involved a total net cash outlay of €52.7 million (total price paid by the Group at the closing date of €59.4 million and positive net financial resources acquired of €7.5 million, and the outlay incurred to repurchase a portion of the inventory from previous distributors);
- the sale of the Lemonsoda business generated total net proceeds of €80.2 million (total price received by the Group at the closing date of €81.5 million and positive net financial resources sold of €1.3 million).

The Group pursues objectives of maintaining a sound capital and financial structure through the management of an adequate level of liquidity, which makes it possible to achieve an economic return and, at the same time, access external sources of financing. The Group monitors changes to its net debt/EBITDA ratio on an ongoing basis. Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group's operating result, on adjusted basis, before depreciation, amortisation and non-controlling interests, pro-rated to take account of sales and acquisitions in the past 12 months. At 30 June 2018, this multiple was 1.9 (2.0 at 31 December 2017).

## Reclassified statement of financial position

The Group's summary balance sheet is shown in the table below in reclassified format, to highlight the structure of invested capital and financing sources.

| | 30 June 2018<br>€ million | 31 December 2017<br>€ million | change<br>€ million |
|---|---|---|---|
| Fixed assets | 2,901.7 | 2,888.4 | 13.3 |
| Other non-current assets and liabilities | (476.2) | (492.3) | 16.1 |
| Operating working capital | 638.1 | 583.6 | 54.5 |
| Other current assets and liabilities | (100.5) | (55.5) | (44.9) |
| **Total invested capital** | **2,963.1** | **2,924.1** | **38.9** |
| Shareholders' equity | 2,016.3 | 1,942.6 | 73.7 |
| Net financial position | 946.8 | 981.5 | (34.7) |
| **Total financing sources** | **2,963.1** | **2,924.1** | **38.9** |

Invested capital at 30 June 2018 was €2,963.1 million, a decrease of €38.9 million compared with 31 December 2017.
The most significant change in invested capital relates to the increase of operating working capital of €54.5 million (of which €21.1 million related to the organic growth), and of €44.9 million in other current assets and liabilities, which includes the effects of acquiring Bisquit Dubouché et Cie. S.A. and selling the Lemonsoda business in the first half of 2018.
Regarding financing sources, the change in shareholders' equity was mainly due to profit for the period, the dividend paid by the Parent Company and translation differences on assets held in currencies other than Euro.
For details of the changes in the net financial position, totalling €34.7 million, please see the comments in the note 'Breakdown of net debt' above.
Please see the section below entitled 'Operating working capital' for further details of changes in net working capital.

As a result of the changes mentioned above, the Group's financial structure showed a ratio of debt to own funds at the end of the period of 47.0%, in decrease compared to the figure of 50.5% recorded at 31 December 2017.

## Operating working capital

The breakdown of the total change in operating working capital compared with 31 December 2017 is as follows.

| | 30 June 2018 | 31 December 2017 | change of which: | | | |
|---|---|---|---|---|---|---|
| | | | total | organic | exhange rates | external |
| | € million | € million | € million | € million | € million | € million |
| Trade receivables | 233.6 | 317.5 | (83.9) | (71.7) | (12.8) | 0.7 |
| Inventories, of which: | | | | | | |
| *- maturing inventory* | *335.8* | *282.9* | 53.0 | 11.4 | 3.2 | *38.3* |
| *- other inventory* | *256.2* | *208.9* | 47.3 | 45.0 | (2.2) | *4.4* |
| Total inventories | 592.0 | 491.7 | 100.3 | 56.5 | 1.0 | *42.8* |
| Trade payables | (187.5) | (225.6) | 38.1 | 36.4 | 2.8 | *(1.1)* |
| **Operating working capital** | **638.1** | **583.6** | **54.5** | **21.1** | **(9.0)** | **42.4** |
| Sales in the previous 12 months rolling(*) | 1,715.2 | 1,753.4 | | | | |
| Working capital as % of sales in the previous 12 months | 37.2 | 33.3 | | | | |

(*) The value of sales reported incorporates the effects of applying the accounting standard IFRS 15 – Revenue from Contracts with Customers.

At 30 June 2018, operating working capital totalled €638.1 million, a decrease of €54.5 million compared with the figure at 31 December 2017.

The exchange rate effect in the first half of 2018 led to a decrease in operating working capital of €9.0 million, while the organic increase of €21.1 million was amplified by the net effect of business acquisitions and sales. The latter contributed to the increase in working capital in a total amount of €42.4 million, largely attributable to the acquisition of Bisquit Dubouché et Cie. S.A..

In the first half of the year, receivables from customers decreased by €83.9 million, while stocks increased by €100.3 million and trade payables fell by €38.1 million. Compared with 31 December 2017, seasonal effects in the first half caused a sharp decrease in the value of trade receivables, which at 31 December traditionally show higher absolute values than during the rest of the year. This reduction is partly offset by an increase in inventories of finished goods in light of the seasonal peak in the second half of the year, and by a fall in the value of trade payables.
With specific regard to inventories, a substantial part of the increase (€53.0 million) related to products due to undergo the maturing process. The organic change of €11.4 million is broadly attributable to inventory in the Americas region (and Scotland), for which there was a positive exchange rate effect of €3.2 million, generating an increase in the overall value of this stock. The perimeter change of €38.3 million is entirely due to the acquisition of Bisquit Dubouché et Cie. S.A.. It should be noted that, due to its nature, working capital represented by products due to undergo the maturing process is similar to invested capital. Growth in other inventories was attributable to a rise in finished product stocks and other merchandise of the Group, in an amount of €47.3 million (€45.0 million at organic level).

The significant organic decrease of €36.4 million in trade payables is partly due to a timing effect at the end of 2017, which resulted in the Group's deferment of some payments at the end of the period.

At 30 June 2018, operating working capital as a percentage of net sales in the last 12 months was 37.2%, higher than the figure of 33.3% reported at 31 December 2017. However, excluding effects relating to the Group's external growth, working capital as a percentage of net sales was 34.7%.

### Transactions with related parties

The procedures for transactions with related parties approved by the Parent Company's Board of Directors on 11 November 2010, which came into force on 1 January 2011, can be viewed at www.camparigroup.com, in the Investors section.
An overview of these procedures is provided in the Report on corporate governance and ownership structure.

## Investor information

**The international economy**

The global economy has continued to strengthen and consolidate from the start of the year. However, there are still areas of relative uncertainty associated with global economic policies, ongoing geopolitical tensions and increasing trade restrictions.

Regarding the economic performance in key regions for Campari Group's trade activities, cyclical growth in the Eurozone continued in the first half of the year, albeit at a slower pace than the previous year, due to a more moderate net foreign demand. Domestic demand, driven by investments, continues to support GDP growth. Although the risks linked to deflation have returned, the inflation rate should still stabilise, as expected, at around 2%. In this regard, the ECB has reiterated the need to maintain ample quantitative easing, keeping official interest rates unchanged for an extended period of time, in order to guide inflation towards levels consistent with price stability. The larger European countries grew in the first part of the year, albeit at a more moderate pace. The main risks to growth in the Eurozone are the uncertainties surrounding the global economy and geopolitical tensions.

The Italian GDP is expected to continue to grow in the first half, albeit at a slower pace than in the previous six months, due to the more moderate pace of industrial output. Business confidence indicators remain at high levels. Moreover, domestic demand, supported by the positive trends in consumption coupled with favourable consumer confidence, as well as the healthy performance of the services sector and the positive contribution of exports are all factors which continue to support domestic GDP growth. The labour market conditions continue to improve; this is reflected in the increase in the number of people in employment, due partly to the effects of social security relief. It is estimated that Italian GDP, which grew 0.3%[1] in the first quarter of 2018, continued growing at the same pace in the second quarter. Overall, Italian growth is expected to continue in 2018, with GDP increasing by +1.2%[2], driven mainly by domestic demand. Risks to growth mainly come from the global environment and, in particular, developments in global economic and commercial policies.

With regard to the rest of the Eurozone, GDP growth in 2018 is expected to be +2.2%[2] in Germany and +1.8%[2] in France. Overall, the Eurozone is expected to grow by +2.2%[3] in 2018, supported by the continuation of accommodative monetary policy, fiscal support and improved labour markets, which are boosting domestic demand, most notably via private consumer spending (source: OECD).
UK growth in 2018 is expected to slow to around +1.4%[2], from +1.7%[2] in 2017. In the medium term, uncertainty remains over the economic repercussions caused by the UK's exit from the European Union.

In the United States, following the fiscal tax reform and the domestic budget agreement, which sets out a further increase in public spending during 2018-2019, the 2018 growth estimates have been upgraded (+2.9%[2]).

GDP growth in the Asia-Pacific region is estimated to reach +5.5%[2] in 2018. Specifically, the growth drivers will be China, supported by private investment growth and a potential rise in government spending intended to boost confidence and economic activity, and Australia, sustained by public investment and foreign trade. Japanese growth is estimated to be more moderate in 2018 than in 2017, at +1.0%[2], with an improvement in labour market conditions and business confidence, albeit accompanied by low private consumer spending.

Lastly, regarding the key emerging economies for the Group's activities, Russia's economic prospects, although still weak, are improving slightly. Specifically, the recessionary phase has eased, inflation is improving, and the Russian Rouble is continuing to appreciate. Russian GDP in 2018 is forecast to grow +1.7%[2]. The estimate for Brazilian GDP growth in 2018 has been revised down to +2.0%[3], as a result of the strikes and sharp fall in industrial output in May. In Argentina, consumer spending is weak, against a backdrop of continuing economic uncertainty. In 2018, GDP growth in Argentina is estimated at +2.0%[2].

Overall, according to the latest IMF estimates, global GDP growth is projected to improve to +3.8% in 2018 from +3.7% in 2017, thanks to the brighter outlook for advanced economies, in part due to the expected expansionary effects of the US tax reform. The main risks to global growth come from worsening trade restrictions and potential international trade wars.

[1] Bloomberg. Estimate compared with the previous quarter.
[2] International Monetary Fund.
[3] OECD.

**Spirits sector**

The driving growth behind spirits growth is driven by the increase in premium products and the extended premium product range brought about by high-end product innovation. This premiumisation within spirits is being driven by the ongoing pursuit of distinguishing factors, such as quality, authenticity, origin and craftsmanship. Renewed interest in classic cocktails, fuelled by the ever-expanding mixology phenomenon in global markets, is another driver of demand for premium brands. The premiumisation trend is supported by continuous growth in the premium on-premise channel, with the emergence of cocktail bars and speakeasy-style bars inspired by the Prohibition era. Emerging trends also include the development of craft spirits. This phenomenon, which originated in the United States in the beer segment over a decade ago, is now making inroads into the spirits sector. Premium and craft innovation is most notable within the whisky, vodka and gin categories, which are seeing an increase in the launch of limited editions and new top-of-the-range craft brands, which further fuels the trend for premium products.

Regarding the US market, the most important geography for the industry in terms of size, profitability and sector growth, brown spirits continue to grow at rates above the market average, thanks to the aforementioned trends for premium products, renewed interest in premium cocktails, and increasing demand for product tasting. Growth categories include American, Canadian and Irish whiskeys, Scotch whisky, tequila, aged rum and cognac. At the same time, the vodka segment, the most important spirit category by size in the American market, remains under high competitive pressure, which is partly due to the launch of new products perceived by consumers as craft products, as well as flavoured vodka proliferation

In other developed markets, such as the UK and continental Europe, there are positive trends in the consumption of brown spirits, bitter aperitifs and specialities; largely driven by mixology and classic cocktails, but also by the development of new, non-traditional occasions for the consumption of spirits.

Lastly, in the main emerging markets, China saw a recovery in the consumption of foreign imported premium products in 2017, after a period of contraction from 2013-2016 due to the introduction of austerity measures.

The medium- to long-term outlook for companies in the consumer segment, and especially spirits, is positive, with the main drivers being a favourable consumption trend, supportive macroeconomic and demographic factors and expectations of further consolidation in the sector.

**Financial markets**

Equity price volatility increased in all the main advanced economies at the start of the year, due to fears of faster monetary tightening and import taxes in the United States. Most notably, equity prices corrected sharply in the US at the start of the year, triggered by fears of tighter monetary policies due to better-than-expected labour market figures. Volatility increased sharply in the Italian financial market, especially in May, when the yield spread between Italian and German government bonds rapidly widened to its highest since 2013, in tandem with uncertainties surrounding the formation of the new government. Tensions eased to some extent after the government was formed, but volatility is still at high levels. In the first half of 2018, the FTSE MIB and FTSE Italia All Shares indices fell by -1.0% and -1.5% respectively. In Europe, the MSCI Europe, which has included the Campari stock since November 2017, fell -3.0% in the first half of 2018; while in the US, the S&P500 index closed the first six months up +1.7%.

In the Italian bond markets, risk premiums for Italian government bonds decreased due to the strengthening economy and the announcement by the Governing Council of the ECB, in March 2018, that it would keep official interest rates unchanged. Sovereign risk premiums in the main Eurozone countries decreased, benefiting from stronger economic activity and the ECB's March announcement that it would continue with the current pace of asset purchases (quantitative easing) until at least the end of September 2018, to support a sustained return of inflation to levels below but close to 2%.

With regard to the exchange rates of the Group's main currencies in the first half of 2018, the US Dollar gradually depreciated against the Euro, shedding -10.6% in the six-month period. Other currencies which depreciated against the Euro included the Argentine Peso (-34.7%), the Brazilian Real (-16.9%), the Russian Rouble (-12.8%), the Jamaican Dollar (-9.0%) and Sterling (-2.2%).

**Performance of the Campari stock**

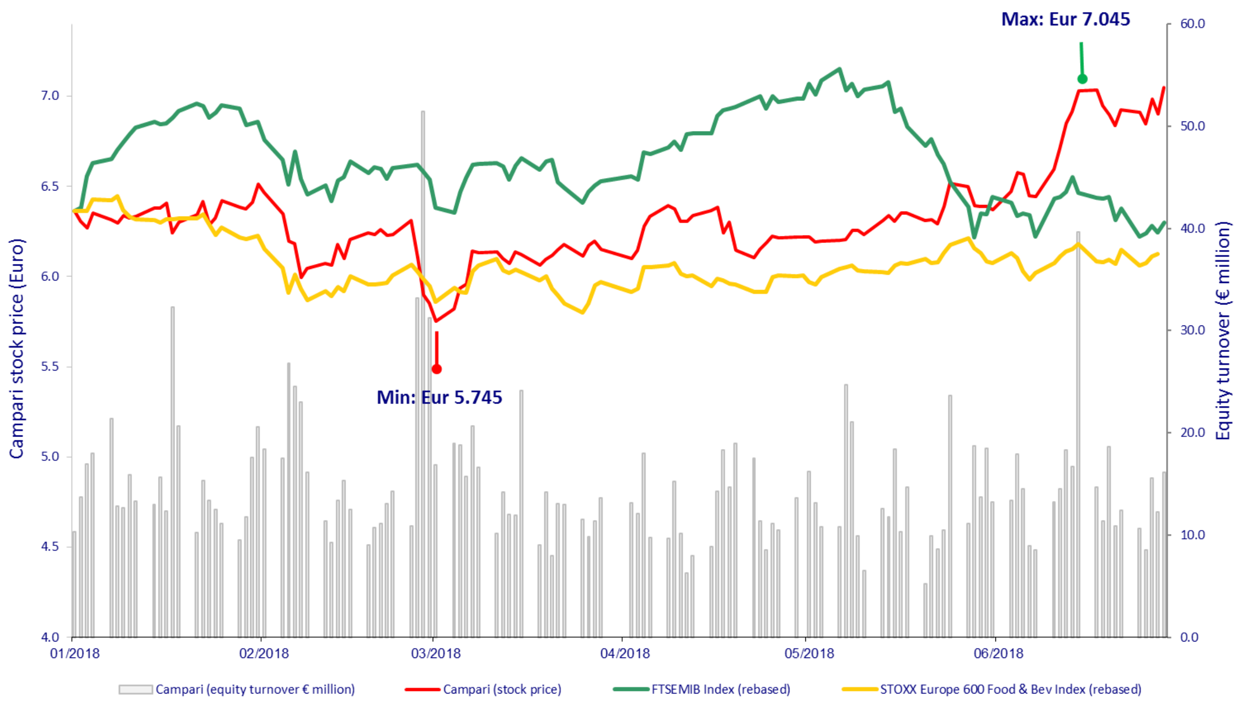
In the economic, industry and financial market environment described above, the Campari stock benefited in the first half of 2018 from the announcement of positive results for all main performance indicators in 2017 as well as the positive start to the first quarter of 2018.

In the first half of 2018, the Campari stock price increased by +9.3% in absolute terms, with total shareholder return (TSR) up +10.2%. The Campari stock price outperformed the FTSE MIB by +10.3%. The stock outperformed the STOXX Europe 600 Food&Beverage index by +13.4% in the period from 1 January to 30 June 2018, and outperformed the MSCI Europe sector index, which includes the Campari stock, by +12.3%. The Campari stock also recorded the best performance among the sector's most important listed players in the first half of 2018.

The minimum and maximum closing prices in the first half of 2018, of €5.745 and €7.045, were recorded on 2 March 2018 and 29 June 2018 respectively. The maximum price was the highest achieved by the stock since the IPO in 2001. An average of 2.4 million Campari shares were traded daily on the market managed by Borsa Italiana S.p.A. in the first half of 2018, with an average daily value of €14.8 million. At 30 June 2018, Campari's market capitalisation was €8.2 billion.

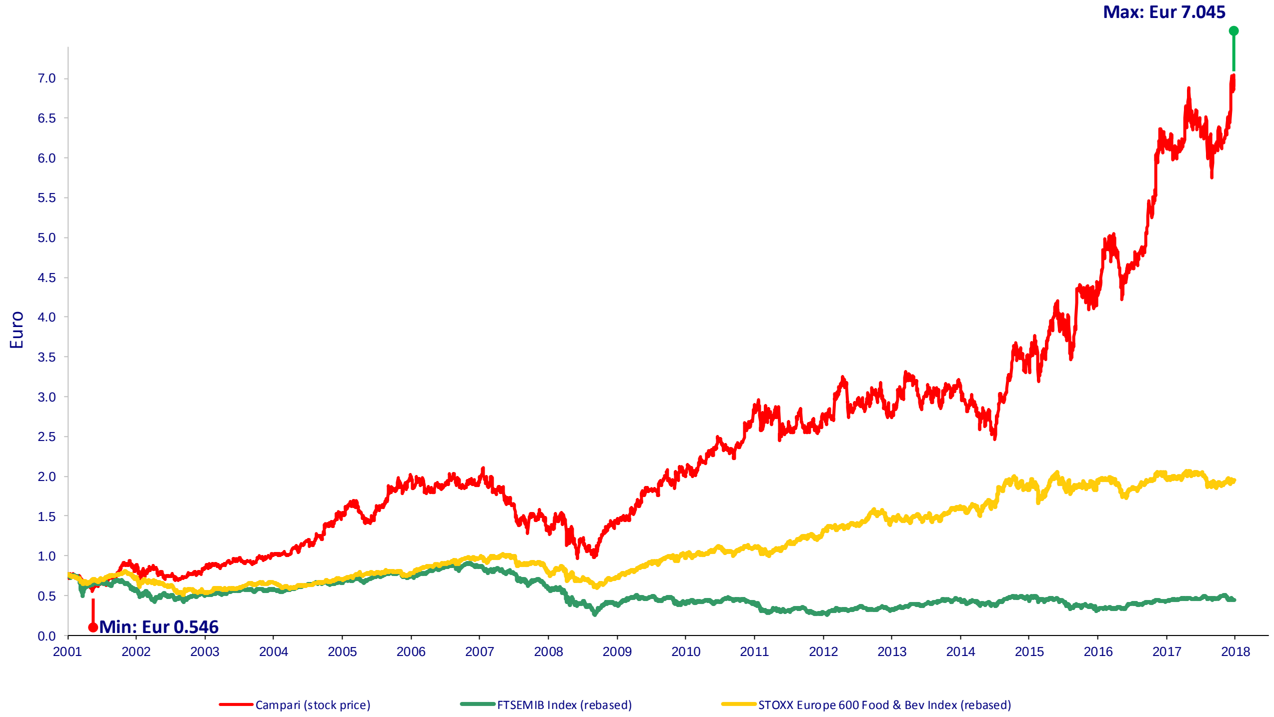
From the date of the initial public offering (IPO) to 30 June 2018, the Campari stock price has increased in absolute terms by +809.0% (an average of +13.9% per year), with total shareholder return (TSR)[4] up +1080.7% (an average of +15.6% per year). The Campari stock price outperformed the FTSE MIB by +851.6%. The stock outperformed the STOXX Europe 600 Food&Beverage index by +657.1% in the period from the IPO to 30 June 2018, and outperformed the MSCI Europe sector index by +807.7% in the same period.

**The performance of the Campari stock and the main benchmark indices from 1 January 2018 to 30 June 2018**




[4] Dividend reinvested

**The performance of the Campari stock and the main benchmark indices from listing (2001) to 30 June 2018**




**Notes:**
The figures have been adjusted to reflect the changes in share capital in 2005, 2009 and 2017.
The STOXX Europe 600 Food &Beverage Price Index is a capitalisation-weighted index which includes European companies operating in the food and beverage industry.

## Davide Campari-Milano S.p.A. stock

### Shares

At 30 June 2018, the share capital of Davide Campari-Milano S.p.A. was €58,080,000, comprising 1,161,600,000 ordinary shares with a nominal value of €0.05 each.

### Shareholder base, voting rights and loyalty shares

The table below shows the major shareholders at 30 June 2018[5].

On 28 January 2015, loyalty shares were introduced. The table below shows the updated position, at 30 June 2018, of key shareholders recorded in the special register for entitlement to increased voting rights. Specifically, it shows: (i) the shares that have achieved double voting rights after the elapse of 24 months from the registration date (ii) the number of shares recorded on the special list but that have not yet accrued double voting rights, and (iii) the number of shares that are not registered in the special register.

| | Number of shares | % of share capital | Voting rights | % of voting rights |
|---|---|---|---|---|
| **Alicros S.p.A.,**<br>*of which:* | **592,416,000** | **51.00%** | **1,184,832,000** | **64.17%** |
| *(i) Shares with double voting rights* | *592,416,000* | | *1,184,832,000* | |
| **Cedar Rock Capital Ltd,**<br>*of which:* | **115,861,212**[(1)] | **9.97%** | **193,727,915** | **10.49%** |
| *(i) Shares with double voting rights* | *77,866,703* | | *155,733,406* | |
| *(ii) Shares with pending double voting rights* | *26,073,675* | | *26,073,675* | |
| *(iii) Shares not registered in the special list* | *11,920,834* | | *11,920,834* | |

[(1)] Disclosure made to Consob by Andrew Brown, Chief Executive and portfolio manager of Cedar Rock Capital Ltd, pursuant to Art. 120 TUF.

[5] Shareholders who have notified Consob and Davide Campari-Milano S.p.A. that they have shareholdings greater than 3% pursuant to article 117 of Consob regulation 11971/99 on notification of significant holdings.

The table below shows the updated position, as at 30 June 2018, of outstanding shares and the number of voting rights that may be exercised at shareholders' meetings.

| | Number of shares | % of share capital | Voting rights | % of voting rights |
|---|---|---|---|---|
| **Total,** *of which:* | **1,161,600,000** | **100.00%** | **1,846,419,063** | **100.00%** |
| *Shares with double voting rights (ISIN IT0005252215)* | *684,819,063* | | *1,369,638,126* | |
| *Ordinary shares (ISIN IT0005252207)* | *476,780,937* | | *476,780,937* | |

The Article 6 of the articles of association and the related Regulation on the special list for double voting rights, approved by the Board of Directors, define the terms and conditions for registration on the special list and for requesting removal from it.
For more detailed information on this subject, see the report prepared by the Board of Directors, and the Regulation on the special list for double voting rights, which is published on the Company's website www.camparigroup.com/it/governance/loyalty-shares).

**Dividend**
On 23 April 2018, the Shareholders' Meeting approved the distribution of a dividend per share of €0.05 for 2017 (+11.1% increase on the dividend paid for 2016).
The dividend was paid on 23 May 2018 (with an ex-date for coupon no. 2 of 21 May 2018) in compliance with the Italian Stock Exchange calendar, and a record date of 22 May 2018.

### Information on the Campari stock and valuation indicators

The tables below show the performance of the Campari stock and the main valuation indicators used by Campari Group since the IPO.

| Year | Minimum price | Maximum price | Average price | Price at 31 December | Change in the Campari stock | Change in FTSE MIB | Campari performance vs. FTSE MIB | Average daily trading volume | Average daily trading value | Stock market capitalisation at 31 December |
|---|---|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | % | % | % | millions of shares | € million | € million |
| 2018[1] | 5.75 | 7.05 | 6.33 | 7.05 | +9.3% | -1.0% | +10.3% | 2.4 | 14.8 | 8,183 |
| 2017 | 4.61 | 6.88 | 5.83 | 6.45 | +38.8% | +13.6% | +25.1% | 2.2 | 13.2 | 7,487 |
| 2016 | 3.47 | 5.05 | 4.38 | 4.65 | +16.1% | -10.2% | +26.3% | 2.8 | 12.0 | 5,396 |
| 2015 | 2.47 | 4.21 | 3.48 | 4.00 | +55.0% | +12.7% | +42.4% | 3.8 | 12.9 | 4,646 |
| 2014 | 2.52 | 3.21 | 2.95 | 2.58 | -15.1% | +0.2% | -15.4% | 2.8 | 8.0 | 2,997 |
| 2013 | 2.73 | 3.32 | 3.00 | 3.04 | +4.8% | +16.6% | -11.7% | 2.6 | 7.9 | 3,531 |
| 2012 | 2.54 | 3.25 | 2.78 | 2.90 | +12.7% | +7.8% | +4.9% | 3.4 | 9.6 | 3,369 |
| 2011 | 2.22 | 2.97 | 2.59 | 2.58 | +5.7% | -25.2% | +30.9% | 4.0 | 10.6 | 2,988 |
| 2010 | 1.76 | 2.50 | 2.08 | 2.44 | +33.5% | -13.2% | +46.8% | 3.8 | 7.6 | 2,828 |
| 2009 | 0.97 | 1.86 | 1.41 | 1.83 | +52.0% | +19.5% | +32.5% | 3.2 | 4.5 | 2,118 |
| 2008 | 0.97 | 1.65 | 1.39 | 1.20 | -26.8% | -49.5% | +22.8% | 2.6 | 3.7 | 1,394 |
| 2007 | 1.63 | 2.11 | 1.89 | 1.64 | -12.8% | -7.0% | -5.9% | 3.0 | 5.8 | 1,904 |
| 2006 | 1.57 | 2.03 | 1.83 | 1.88 | +20.5% | +16.1% | +4.5% | 2.4 | 4.4 | 2,183 |
| 2005 | 1.12 | 1.70 | 1.43 | 1.56 | +32.0% | +15.5% | +16.5% | 2.0 | 2.8 | 1,812 |
| 2004 | 0.90 | 1.20 | 1.01 | 1.19 | +22.9% | +14.9% | +7.9% | 1.8 | 1.7 | 1,374 |
| 2003 | 0.69 | 0.97 | 0.83 | 0.97 | +28.2% | +14.4% | +13.8% | 1.6 | 1.3 | 1,118 |
| 2002 | 0.64 | 0.95 | 0.79 | 0.75 | +13.8% | -27.3% | +41.0% | 2.2 | 1.7 | 871 |
| 2001[2] | 0.55 | 0.78 | 0.68 | 0.66 | -14.9% | -14.1% | -0.8% | 2.8 | 2.1 | 767 |

(1) Figures as at 30 June 2018.
(2) Listing on the Italian Stock exchange (MTA) took place on 6 July 2001. Average daily volume and average daily trading value excluding first week of trading.
(3) Compared with FTSE MIB.

The table below shows information on dividends paid on the Campari stock since the IPO.

| Year | Number of shares at 31 December not adjusted | Number of shares at 31 December adjusted[1] | Number of shares with dividend rights[2] | Gross dividend per share (€) | Total dividend (€ million) [3] |
|---|---|---|---|---|---|
| 2017 | 1,161,600,000 | 1,161,600,000 | 1,150,205,686 | 0.050 | 57.5 |
| 2016 | 580,800,000 | 1,161,600,000 | 1,158,752,164 | 0.045 | 52.1 |
| 2015 | 580,800,000 | 1,161,600,000 | 1,158,508,124 | 0.045 | 52.1 |
| 2014 | 580,800,000 | 1,161,600,000 | 1,142,500,000 | 0.040 | 45.7 |
| 2013 | 580,800,000 | 1,161,600,000 | 1,152,019,724 | 0.040 | 46.1 |
| 2012 | 580,800,000 | 1,161,600,000 | 1,138,514,448 | 0.035 | 39.8 |
| 2011 | 580,800,000 | 1,161,600,000 | 1,157,273,960 | 0.035 | 40.5 |
| 2010 | 580,800,000 | 1,161,600,000 | 1,153,344,568 | 0.030 | 34.6 |
| 2009 | 290,400,000 | 1,161,600,000 | 1,152,761,012 | 0.030 | 34.6 |
| 2008 | 290,400,000 | 1,161,600,000 | 1,152,761,012 | 0.028 | 31.7 |
| 2007 | 290,400,000 | 1,161,600,000 | 1,157,422,184 | 0.028 | 31.8 |
| 2006 | 290,400,000 | 1,161,600,000 | 1,161,597,812 | 0.025 | 29.0 |
| 2005 | 290,400,000 | 1,161,600,000 | 1,125,424,052 | 0.025 | 28.1 |
| 2004 | 29,040,000 | 1,161,600,000 | 1,124,192,360 | 0.025 | 28.1 |
| 2003 | 29,040,000 | 1,161,600,000 | 1,121,600,000 | 0.022 | 24.7 |
| 2002 | 29,040,000 | 1,161,600,000 | 1,121,600,000 | 0.022 | 24.7 |
| 2001 | 29,040,000 | 1,161,600,000 | 1,121,600,000 | 0.022 | 24.7 |

(1) Stock information prior to the dates on which changes were made to the amount of share capital has been adjusted to take into account the new composition of share capital as described below:
- two-for-one share split effective as at 8 May 2017;
- bonus share issue via the issue of 290,400,000 new shares with a nominal value of €0.10 each to be provided free of charge to shareholders in the ratio of one new share for each share held, which came into effect on 10 May 2010;
- ten-for-one share split effective as at 9 May 2005.

(2) Excluding own shares held by Davide Campari-Milano S.p.A.
(3) Total dividend distributed for the period excluding own shares (at the ex-date).

The table below shows information on the main valuation indicators for the Campari stock since the IPO.

| Year | earnings per share[1][2] | price/shareholders' equity per share | price/net profit per share[1] | dividend/net profit per share[1][2] | dividend/price per share |
|---|---|---|---|---|---|
| 2017 | 0.31 | 3.85 | 21.0 | 16.1% | 0.8% |
| 2016 | 0.14 | 2.84 | 32.4 | 31.4% | 1.0% |
| 2015 | 0.15 | 2.66 | 26.5 | 29.7% | 1.1% |
| 2014 | 0.11 | 1.90 | 23.2 | 35.4% | 1.6% |
| 2013 | 0.13 | 2.53 | 23.6 | 30.8% | 1.3% |
| 2012 | 0.13 | 2.36 | 21.5 | 25.4% | 1.2% |
| 2011 | 0.14 | 2.19 | 18.8 | 25.4% | 1.4% |
| 2010 | 0.13 | 2.26 | 18.1 | 22.1% | 1.2% |
| 2009 | 0.12 | 2.03 | 15.5 | 25.2% | 1.6% |
| 2008 | 0.11 | 1.46 | 11.0 | 25.1% | 2.3% |
| 2007 | 0.11 | 2.17 | 15.2 | 25.4% | 1.7% |
| 2006 | 0.10 | 2.74 | 18.6 | 24.8% | 1.3% |
| 2005 | 0.10 | 2.61 | 15.4 | 23.8% | 1.6% |
| 2004 | 0.08 | 2.20 | 14.2 | 29.0% | 2.1% |
| 2003 | 0.07 | 2.04 | 14.0 | 30.9% | 2.3% |
| 2002 | 0.07 | 1.82 | 10.1 | 28.5% | 2.9% |
| 2001 | 0.05 | 1.78 | 12.1 | 38.9% | 3.3% |

[1] Net income reported, not adjusted.
[2] Up to 2004, Italian Accounting Standards; from 2005 IAS/IFRS.

**Investor relations**
The Company communicates regularly with investors, shareholders and financial market operators in general, in order to provide complete, accurate and timely information on its operations, while complying with the relevant confidentiality requirements for certain types of information.

Information is disseminated via the publication of documents such as management reports, press releases and investor presentations.
These documents are made available using the 1Info network information system, managed by Computershare S.p.A., via publication on the website www.1info.it.

As a result of using this publication platform, the Company is able to make all information promptly available on its website (www.camparigroup.com), in the Investor and Governance sections. Information about the Company that is of interest to shareholders and equity and debt investors is also available in these sections to enable them to exercise their rights in an informed manner.

The Company communicates and interacts regularly with the financial markets via analyst calls, investor meetings, roadshows and investor conferences, which are also attended by representatives of senior management. With reference to activities aimed at the analyst and institutional investor category, in the first half of 2018 the Company continued to communicate information through numerous meetings organised in Milan and at the main stock exchanges in Europe and outside Europe, including in the US, Canada, Asia and Australia.
The Investor Relations department is responsible for managing relations with shareholders and investors, and has been operational since the Company's listing in 2001.

Information of interest to shareholders and investors is available on the website, and may also be requested by sending an email to the dedicated email address investor.relations@campari.com.

## Events taking place after the end of the period

No significant events occurred after the end of the period.

## Conclusions on the first half of 2018 and outlook

The Group's results for the first half of 2018 reflect of the continuation of sustained organic growth in the business, both in terms of topline sales and all profitability indicators. This result was, however, more than offset by both a negative exchange rate effect, mainly caused by the strengthening of the Euro against the US Dollar, as well as a negative perimeter effect due to the disposal of non-core assets.

Regarding the Group's organic growth, sales registered solid growth in the first half, thanks to an acceleration in the second quarter due to the expected absorption of order phasing effects which penalised the start of the year. Furthermore, in line with the Group's strategic objectives, sales mix improvements were confirmed by the solid, above-average performance by the key high-margin Global and Regional priority brands in developed markets. All the operating profitability indicators, which showed a gradual normalization in the second quarter of the year, grew steadily in the first half of the year in organic terms and showed solid margin expansion on net sales.

Looking at the second half of 2018, the Group considers the outlook to be broadly balanced in terms of risks and opportunities.

At organic level, the Group remains confident about the positive development of the key high-margin combinations by brand and market. In particular, regarding the brands the core Global and Regional priorities are expected to continue to grow, except for SKYY, which after seeing orders underperform demand in the first half of the year, will be affected by further destocking in the next few months. Regarding geographical regions, we believe that the main developed markets will continue to drive growth, while some low-margin emerging markets will again be penalised by a volatile and politically unstable environment.

Gross margin is expected to continue to benefit from the improvements in the product/market sales mix and therefore offset the negative effect of the agave price increase, which will continue to worsen over the year. The gradual rise in the average purchase price of agave, which is included in the cost of goods sold, will gradually increase its dilutive effect on gross margin, which is estimated to be higher in the second half than in the first half.

Furthermore, regarding Results from recurring activities (adjusted EBIT)[6], the potential upside deriving from a progressively less adverse exchange rate trend (in particular the US Dollar against the Euro) is expected to be reinvested in accelerated investments into brand building initiatives behind key global brands, as well as into selective strengthening of the Group's on-premise capabilities and for brand houses development.

With regards to the key underlying business indicators, the Group remains confident in delivering a positive performance in 2018.

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[1] Guidance provided to the market on Q1 2018 results announcement on 8 May 2018:

- Forex: negative impact on net sales by € (90) million and EBIT adjusted by €(24) million on a full year basis, based on EUR/US Dollar exchange rate at 1.25 projected for the full year 2018
- Perimeter: negative impact on net sales by €(70) million and EBIT adjusted by €(16) million on a full year basis.

[6]

## Alternative performance indicators

These half-year financial statements present and comment upon certain financial indicators and reclassified financial statements that are not defined by IFRS.
These indicators, which are described below, are used to comment on the Group's business performance in the 'Highlights' and 'Additional financial information' sections, in compliance with the requirements of Consob communication DEM 6064293 of 28 July 2006 as subsequently amended and supplemented (Consob communication 0092543 of 3 December 2015), which incorporates the Guidelines on Alternative Performance Measures (ESMA/2015/1415).
The alternative performance indicators listed below should be used to supplement the information required by IFRS to help readers of the financial report gain a better understanding of the Group's economic, financial and capital position. The method used by Campari Group to calculate these adjustment measures has been consistent over the years. It should also be noted that these methods could be different from those used by other companies.

- **Financial indicators used to measure Group operating performance**

**Contribution margin**: calculated as the difference between net sales, the cost of goods sold (in its materials, production and distribution cost components) and advertising and promotional costs.
**Adjustments to operating income (charges):** defined as certain transactions or events, identified by the Group as adjustment components for the result from recurring activities:
- capital gains/losses on the sale of tangible and intangible assets;
- penalties arising from the settlement of tax disputes;
- impairment losses on fixed assets;
- restructuring and reorganisation costs;
- ancillary costs associated with acquisitions/sales of businesses or companies;
- other non-recurring income (charges).

The above-mentioned items were deducted from or added to the following indicators: operating result, EBITDA and net profit/loss before tax for the period.
The Company believes that these indicators, appropriately adjusted, are useful to both management and investors in assessing the Group's financial and economic results against those of other companies in the sector, as they exclude the impact of some items that are not relevant for assessing operating performance.
**Adjusted result from recurring activities**: the operating result for the period net of the above-mentioned adjustments to operating income (charges).
**EBITDA**: the operating result before depreciation and amortisation of tangible and intangible assets.
**Adjusted EBITDA**: EBITDA as defined above, excluding adjustments to operating income (charges) as described above.
**Adjustments to financial income (charges):** several transactions or events identified by the Group as components adjusting the net profit/loss related to events covering a single period or financial year such as:
- charges related to the early settlement of financial liabilities;
- financial charges associated with acquisitions/sales of businesses or companies;
- other non-recurring financial income (charges).

**Group's adjusted profit/loss before tax**: profit for the period before tax and net of adjustments to operating income (charges) and adjustments to financial income (charges) described above, and before the tax effect.
**Group's adjusted net profit/loss:** the profit/loss for the period, net of the above-mentioned adjustments to operating income (charges) and adjustments to financial income (charges), the related tax effect and other positive/negative tax adjustments for the period.
**ROS (return on sales)**: the ratio of the operating result to net sales for the period.
**ROI (return on investment)**: the ratio of the operating result for the period to fixed assets at the end of the period (see the definition of fixed assets below).

- **Reclassified statement of financial position**

The items included in the reclassified statement of financial position are defined below as the algebraic sum of specific items contained in the financial statements:
**Fixed assets**: calculated as the algebraic sum of:
- net tangible fixed assets;
- biological assets;
- investment property;
- goodwill and brands;
- intangible assets with a finite life;
- non-current assets held for sale;
- investments in affiliates and joint-ventures.

**Other non-current assets and liabilities**: calculated as the algebraic sum of:
- deferred tax assets;
- other non-current assets, net of financial assets (classified under net debt);
- deferred tax liabilities;
- defined benefit plans;
- provisions for risks and charges;
- other non-current liabilities, net of financial liabilities (classified under net debt).

**Operating working capital**: calculated as the algebraic sum of:
- inventories;
- trade receivables;
- trade payables.

**Other current assets and liabilities**: calculated as the algebraic sum of:
- current tax receivables;
- other current receivables, net of financial assets (classified under net debt);
- current tax payables;
- other current payables, net of financial liabilities (classified under net financial position).

**Net financial position** – calculated as the algebraic sum of:
- cash and cash equivalents;
- non-current financial assets, recorded under Other non-current assets;
- current financial assets, recorded under Other receivables;
- payables to banks;
- other financial payables;
- bonds;
- non-current financial liabilities, recorded under Other non-current liabilities;
- payables for put options and earn-outs.

- **Reclassified statement of cash flows**

**Free cash flow**: cash flow that measures the Group's self-financing capacity calculated on the basis of cash flow from operations, adjusted for net interest paid and cash flow used in investments, net of income from realising fixed assets.

**Recurring free cash flow**: cash flow that measures the Group's self-financing capacity, calculated on the basis of cash flow from operations, net of the above-mentioned adjustments to operating income and charges, and adjusted for net interest paid and cash flow used in investments, net of income from realising fixed assets.

# Gruppo Campari
# Condensed half-year report at 30 June 2018

## Financial statements

### Consolidated income statement

| | Notes | First half 2018 | *of which: related parties* | First half 2017 | *of which: related parties* |
|---|---|---|---|---|---|
| | | € million | *€ million* | € million | *€ million* |
| **Net sales** | 9 | **778.2** | | **816.3** | |
| Cost of goods sold | 10 | (306.3) | | (339.2) | |
| **Gross profit** | | **471.9** | | **477.1** | |
| Advertising and promotional costs | | (134.9) | | (134.3) | |
| **Contribution margin** | | **337.0** | | **342.8** | |
| Overheads | 11 | (156.9) | | (184.3) | *0.1* |
| *Of which adjustments to operating income (charges)* [(1)] | 12 | *19.6* | | *(5.0)* | |
| **Operating result** [(1)] | | **180.1** | | **158.4** | |
| Financial income (expenses) | 15 | (13.2) | | (47.4) | |
| *Of which adjustments to financial income (expenses)* [(1)] | 15 | 1.6 | | (24.4) | |
| Share of net profit (loss) of associates and joint-ventures | 16 | (0.1) | | - | |
| Put option income (charges) | 17 | (0.9) | | (2.5) | |
| **Profit before tax** | | **166.0** | | **108.5** | |
| Income tax expense | 18 | (18.8) | | 0.2 | |
| **Profit for the period** | | **147.2** | | **108.6** | |
| **Profit attributable to:** | | | | | |
| Parent Company shareholders | | 147.2 | | 108.6 | |
| Non-controlling interests | | - | | - | |
| Basic and diluted earnings per share (€) | | 0.13 | | 0.09 | |
| Basic and diluted earnings per share (€) adjusted [(1)] | | 0.09 | | 0.08 | |

[(1)]For information on the definition of alternative performance indicators, see the previous section of this Half-year report on operations ('Alternative performance indicators').
[(*)]Includes the effects of the reclassification arising from the application of the new accounting standards. For more information, see section 4–Change in accounting standard.

### Consolidated statement of comprehensive income

| | Notes | First half 2018 | First half 2017 |
|---|---|---|---|
| | | € million | € million |
| **Profit for the period (A)** | | **147.2** | **108.6** |
| B1) Items that may be subsequently reclassified to profit or loss | | | |
| Cash flow hedge: | | | |
| Profit (loss) for the period | 29 | (1.6) | 0.6 |
| Profit (losses) classified to other comprehensive income | 29 | 7.0 | (3.7) |
| Net gains (losses) from cash flow hedge | | (8.6) | 4.3 |
| Tax effect | 18-29 | 1.7 | (0.9) |
| **Total cash flow hedge** | | **(6.9)** | **3.4** |
| Conversion difference: | | | |
| Profit (loss) for the period | | - | 2.1- |
| Profit (losses) classified to other comprehensive income | 29 | 3.0 | (129.9) |
| **Total conversion difference** | | **3.0** | **(127.8)** |
| **Total: items that may be subsequently reclassified to profit or loss (B1)** | | **(3.8)** | **(124.5)** |
| Profit(loss) for the period | 29 | 1.5 | (0.3) |
| Tax effect | 18 | (0.3) | 0.1 |
| **Remeasurements of post-employment benefit obligations** | | **1.2** | **(0.2)** |
| **Total: items that may not be subsequently reclassified to profit or loss (B2)** | | **1.2** | **(0.2)** |
| **Other comprehensive income (expenses) (B=B1+B2)** | | **(2.7)** | **(124.7)** |
| **Total comprehensive income (A+B)** | | **144.5** | **(16.1)** |
| Attributable to: | | | |
| Parent Company shareholders | | 144.5 | (16.0) |
| Non-controlling interests | | - | - |

*For ease of reference, all figures in these condensed half-year financial statements are expressed in millions of euro to one decimal place, whereas the original data is recorded and consolidated by the Group in euro. In certain cases, this can result in apparent discrepancies, as there may be a difference between the sum of the individual figures and the total, amounting to no more than € 0.1 million.*

## Consolidated statement of financial position

| | Notes | 30 June 2018 | *of which: related parties* | 31 December 2017 | *of which: related parties* |
|---|---|---|---|---|---|
| | | € million | *€ million* | € million | *€ million* |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Net tangible fixed assets | 19 | 424.5 | | 430.9 | |
| Biological assets | | 0.9 | | 1.0 | |
| Investment properties | 20 | 122.4 | | 120.9 | |
| Goodwill and brands | 21 | 2,316.4 | | 2,302.7 | |
| Intangible assets with a finite life | 22 | 37.0 | | 32.8 | |
| Investments in associates and joint-ventures | 23 | 0.5 | | - | |
| Deferred tax assets | 18 | 48.5 | | 43.1 | |
| Other non-current asssets | 24 | 18.5 | *2.2* | 46.5 | *2.2* |
| **Total non-current assets** | | **2,968.6** | | **2,978.0** | |
| **Current assets** | | | | | |
| Inventories | 25 | 592.0 | | 491.4 | |
| Current biological assets | 25 | - | | 0.4 | |
| Trade receivables | | 233.6 | | 317.5 | |
| Short-term financial receivables | 26 | 31.8 | | 9.3 | |
| Cash and cash equivalents | 27 | 558.2 | | 514.5 | |
| Income tax receivables | 33 | 22.8 | *9.1* | 28.6 | *15.5* |
| Other receivables | | 40.2 | | 31.8 | |
| **Total current assets** | | **1,478.6** | | **1,393.4** | |
| Assets held for sale | 28 | 6.6 | | 47.7 | |
| **Total assets** | | **4,453.8** | | **4,419.1** | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| **Shareholders' equity** | | | | | |
| - Share capital | | 58.1 | | 58.1 | |
| - Reserves | | 1,958.2 | | 1,884.5 | |
| Capital and reserves attributable to Parent Company | 29 | 2,016.3 | | 1,942.6 | |
| Non-controlling interests | | - | | - | |
| **Total shareholders' equity** | | **2,016.3** | | **1,942.6** | |
| **Non-current liabilities** | | | | | |
| Bonds | 30 | 996.5 | | 995.6 | |
| Other non-current liabilities | 30 | 484.9 | | 493.6 | |
| Post-employment benefit obligations | | 32.6 | | 34.4 | |
| Provisions for risks and charges | 32 | 127.2 | | 123.7 | |
| Deferred tax liabilities | 18 | 362.6 | | 364.0 | |
| **Total non-current liabilities** | | **2,003.8** | | **2,011.3** | |
| **Current liabilities** | | | | | |
| Payables to banks | 31 | 7.1 | | 13.8 | |
| Other financial liabilities | 31 | 69.0 | | 62.1 | |
| Trade payables | | 187.5 | | 225.6 | |
| Income tax payables | 33 | 13.3 | *1.3* | 21.8 | *1.1* |
| Other current liabilities | | 156.8 | *15.0* | 141.7 | *4.3* |
| **Total current liabilities** | | **433.7** | | **465.1** | |
| Liabilities held for sale | | - | | 0.1 | |
| **Total liabilities** | | **2,437.5** | | **2,476.5** | |
| **Total liabilities and shareholders' equity** | | **4,453.8** | | **4,419.1** | |

## Consolidated statement of cash flows

| | Note | First half 2018 € million | First half 2017 € million |
|---|---|---|---|
| **Operating profit** | | **180.1** | **158.4** |
| Joint-venture profit (loss) | 16 | (0.1) | - |
| Depreciation and amortisation | | 27.4 | 28.4 |
| Gains and losses on sales of fixed assets | 12 | (1.3) | (0.7) |
| Gains on sales of business | 12 | (38.5) | - |
| Impairment of assets, goodwill, trademark and sold business | 19-21-22 | 0.1 | 0.1 |
| Net changes of provision | 32 | 5.4 | (6.1) |
| Net changes of long term employee benefit | | 0.1 | 6.5 |
| Changes in net operating working capital | | (21.1) | (13.4) |
| Income taxes paid | | (24.2) | (22.2) |
| Other changes | | 1.2 | (29.5) |
| **Cash flow generated from (used in) operating activities** | | **129.2** | **121.4** |
| Purchase of tangible and intangible fixed assets | 19-21-22 | (22.9) | (31.2) |
| Disposal of fixed assets | 19 | 4.1 | 3.7 |
| Acquisition and sale of companies or business divisions | 7 | 15.8 | (37.5) |
| Cash and cash equivalents at acquired companies(1) | 7 | 6.5 | - |
| Purchase and sale of trademarks and distribution rights | 21 | - | (0.2) |
| Put options and earn out payments | | (9.0) | (2.4) |
| Interests received | | 3.3 | 3.8 |
| Net changes in securities | 26-27 | 6.0 | (1.4) |
| Dividends received | 15 | 0.1 | 0.2 |
| Other changes | | (0.5) | 0.1 |
| **Cash flow generated from (used in) investing activities** | | **3.3** | **(64.9)** |
| Liability management effect | | - | (23.2) |
| Repayment of revolving loan | | (28.0) | - |
| Utilization of revolving loan | | 27.7 | - |
| Other repayments of other medium- and long- term debts | | (0.3) | (0.3) |
| Net change in short-term financial payables and bank loans | 31 | (5.9) | (0.2) |
| Interests paid | | (4.6) | (3.9) |
| Change in other financial payables and receivables | | (3.0) | 22.2 |
| Purchase and sale of own shares | 29 | (17.9) | (11.1) |
| Dividend paid by the Parent Company | 29 | (57.5) | (52.1) |
| **Cash flow generated from (used in) financing activities** | | **(89.4)** | **(68.6)** |
| **Other differences including exchange rate differences** | | **0.6** | **(17.2)** |
| **Net change in cash and cash equivalents: increase (decrease)** | | **43.7** | **(29.3)** |
| Cash and cash equivalents at the beginning of period | 27 | 514.5 | 354.1 |
| Cash and cash equivalents at end of period | 27 | 558.2 | 324.8 |

(1) It should be noted that the cash acquired/disposed of in a business combination/disposal realised during the year amounted to € 45.6 million, it has to be considered net of acquired financial liabilities, amounting to €21.1, and loans and financial assets amounting to €9.4 million. For further information see note 7 “Business combination”.

## Statement of changes in shareholders' equity

| | | Attributable to Parent Company shareholders | | | | | Shareholders' equity | |
|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital | Legal reserve | Retained earnings | Other reserves | Total | Non controlling interests | Total |
| **Balance at 31 December 2017** | | **58.1** | **11.6** | **1,995.6** | **(122.7)** | **1,942.6** | **-** | **1,942.6** |
| Dividend payout to Parent Company shareholders | 29 | - | - | (57.5) | - | (57.5) | - | (57.5) |
| Own shares acquired | 29 | - | - | (27.8) | - | (27.8) | - | (27.8) |
| Own shares sold | 29 | - | - | 10.0 | - | 10.0 | - | 10.0 |
| Stock options | 34 | - | - | - | 2.9 | 2.9 | - | 2.9 |
| Stock options utilization | 34 | - | - | 2.7 | (2.7) | - | - | - |
| Measurement of financial assets (net of tax effect)(*) | 4 | - | - | 1.5 | - | 1.5 | - | 1.5 |
| Other changes | | - | - | 0.1 | - | 0.1 | - | 0.1 |
| Profit for the period | | - | - | 147.2 | - | 147.2 | - | 147.2 |
| Other comprehensive income (expense) | | - | - | - | (2.7) | (2.7) | - | (2.7) |
| **Total comprehensive income** | | **-** | **-** | **147.2** | **(2.7)** | **144.5** | **-** | **144.5** |
| **Balance at 30 June 2018** | | **58.1** | **11.6** | **2,071.8** | **(125.2)** | **2,016.3** | **-** | **2,016.3** |

(*)For more information on the impact of the first-time adoption of the new accounting standards, see section 4–Changes in accounting standard.

| | | Attributable to Parent Company shareholders | | | | | Shareholders' equity | |
|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital | Legal reserve | Retained earnings | Other reserves | Total | Non controlling interests | Total |
| **Balance at 31 December 2016** | | **58.1** | **11.6** | **1,751.2** | **79.4** | **1,900.2** | **-** | **1,900.2** |
| Dividend payout to Parent Company shareholders | | - | - | (52.1) | - | (52.1) | - | (52.1) |
| Own shares acquired | | - | - | (19.6) | - | (19.6) | - | (19.6) |
| Own shares sold | | - | - | 8.5 | - | 8.5 | - | 8.5 |
| Stock options | | - | - | - | 3.8 | 3.8 | - | 3.8 |
| Stock options utilization | | - | - | 2.7 | (2.7) | - | - | - |
| Other changes | | - | - | (1.5) | - | (1.5) | - | (1.5) |
| Profit for the period | | - | - | 108.6 | - | 108.6 | - | 108.6 |
| Other comprehensive income (expense) | | - | - | - | (124.7) | (124.7) | - | (124.7) |
| **Total comprehensive income** | | **-** | **-** | **108.6** | **(124.7)** | **(16.0)** | **-** | **(16.0)** |
| **Balance at 30 June 2017** | | **58.1** | **11.6** | **1,797.8** | **(44.2)** | **1,823.3** | **-** | **1,823.3** |

# Notes to the consolidated financial statements

## 1. General information

Davide Campari-Milano S.p.A. is a company listed on the Italian stock market, with registered office at Via Franco Sacchetti 20, 20099 Sesto San Giovanni (MI), Italy.
The Company is recorded in the Milan companies register and REA (business administration register) under no. 1112227.
Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A., which has a 51% holding and is, in turn, 53.71% controlled by Lagfin S.C.A. Société en Commandite par Actions.
The publication of this half-year report at 30 June 2018, which was subject to a limited audit, was authorised by the Board of Directors on 1 August 2018.
The financial statements are presented in euro, the reference currency of the Parent Company and many of its subsidiaries.

## 2. Preparation criteria

The condensed half-year financial statements at 30 June 2018 were prepared in consolidated format pursuant to article 154-*ter* of the Consolidated Law on Finance (TUF) as amended, and were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and ratified by the European Union. These include all the international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).
Unless otherwise indicated, the amounts shown in the following explanatory notes are expressed in millions of euro.
The condensed half-year financial statements were drafted in accordance with IAS 34 (Interim Financial Reporting), using the same principles as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for those relating to the identification and valuation of sales and advertising and promotional costs, and the classification and measurement of financial instruments. A summary of these new standards is given in note 3 to these condensed half-year statements, while the effects of their first-time adoption are set out in note 4.
The condensed half-year financial statements do not include all the information and notes required for the annual consolidated financial statements, and, as such, should be read in conjunction with the consolidated financial statements for the year ending 31 December 2017.

**Form and content**

In accordance with the format selected by the Group, the income statement has been classified by function, and the statement of financial position based on the division between current and non-current assets and liabilities.
We consider that this format will provide a more meaningful representation of the items that have contributed to the Group's results and its assets and financial position.
In the income statement, transactions or events that may generate income and charges that are not relevant for assessing performance, such as capital gains/losses on the sale of fixed assets, restructuring and reorganisation costs, financial charges and any other non-recurring income/expenses, are shown separately; this provides a clearer picture of the Company's operating performance. Adjustments to operating income and charges are also discussed in detail in these notes.
This presentation complies with the requirements of Consob communication DEM/6064293 of 28 July 2006, as subsequently amended and supplemented (Consob communication 0092543 of 3 December 2015, which incorporates the Guidelines on Alternative Performance Measures (ESMA/2015/1415).
In the first half of 2018, the Group did not carry out any atypical and/or unusual transactions, defined in the Consob communication as transactions which, due to their materiality or size, type of counterparties to the transaction, or method of determining the price and timing of the event (proximity to the end of the period), could give rise to concerns over the accuracy or completeness of the information in the financial statements, conflicts of interest, the safeguarding of company assets or the protection of minority shareholders.
The cash flow statement was prepared using the indirect method.
Lastly, with reference to the requirements of Consob resolution 15519 of 27 July 2006 in relation to financial statements, the income statement and statement of financial position contain columns providing information on any significant transactions with related parties.

**Basis of consolidation**

The following changes occurred in the basis of consolidation, resulting from the creation, acquisition and sale of companies, described in the half-year report on operations in the section 'Significant events during the period':

- on 2 January 2018, the Group completed the closing of the agreement to sell Nettuno S.r.l., the company to which the Parent Company Davide Campari Milano S.p.A. had transferred the net assets of the Lemonsoda business during 2017. Therefore, at 30 June 2018, Nettuno was no longer included in the perimeter of consolidation;
- on 2 January 2018, the Group closed the acquisition of Camparino S.r.l., which therefore became part of the perimeter of consolidation from 30 June 2018;
- on 31 January 2018, the Group closed the agreement to acquire Bisquit Dubouché et Cie from South African group Distell. The company, which is fully controlled by Société des Produits Marnier Lapostolle S.A., was therefore included in the perimeter of consolidation.
- on March 2018 the Group signed an agreement with BNC F&B Co. Ltd., in order to create a joint-venture in South Korea. The Group owns 40% of the shares with an option to purchase future residual shares, corresponding to 60% of the capital.

The tables below list the companies included in the basis of consolidation as at 30 June 2018.

| Name, activity | Registered office | Share of capital at 30 June 2018 | | | % owned by Parent Company | | |
|---|---|---|---|---|---|---|---|
| | | Currency | Amount | | Direct | Indirect | Direct shareholder |
| **Parent Company** | | | | | | | |
| **Davide Campari-Milano S.p.A.**, *holding and manufacturing company* | Via Franco Sacchetti, 20 Sesto San Giovanni | € | 58.080.000 | | | | |
| **Full Consolidated companies** | | | | | | | |
| ***Italy*** | | | | | | | |
| **Campari International S.r.l.**, *trading company* | Via Franco Sacchetti, 20 Sesto San Giovanni | € | 700.000 | | 100,00 | | |
| **Campari Services S.r.l.**, *services company* | Via Franco Sacchetti, 20 Sesto San Giovanni | € | 160.000 | | 100,00 | | |
| **Camparino S.r.l.,** *trading company* | Piazza Duomo, 21 Milano | € | 48.880 | | 100,00 | | |
| **Fratelli Averna S.p.A.**, *manufacturing company* | Via Xiboli, 345, Caltanisetta | € | 3.900.000 | | 100,00 | | |
| ***Europe*** | | | | | | | |
| **Campari Austria GmbH**, *trading company* | Naglergasse 1/Top 13 A, Wien | € | 500.000 | | | 100,00 | DI.CI.E. Holding B.V. |
| **Campari Benelux S.A.**, *finance and trading company* | Avenue de la Méterologie, 10, Bruxelles | € | 1.000.000 | | 61,00 | 39,00 | Glen Grant Ltd. |
| **Campari Deutschland GmbH**, *trading company* | Bajuwarenring 1, Oberhaching | € | 5.200.000 | | | 100,00 | DI.CI.E. Holding B.V. |
| **Campari España S.L.**, *società holding e commerciale* | Calle de la Marina 16-18, planta 28, Barcellona | € | 3.272.600 | | 100,00 | | |
| **Campari RUS OOO,** *trading company* | 2nd Yuzhnoportoviy proezd 14/22, Moscow | RUB | 2.010.000.000 | | | 100,00 | DI.CI.E. Holding B.V. |
| **Campari Schweiz A.G**., *trading company* | Lindenstrasse 8, Baar | CHF | 500.000 | | | 100,00 | DI.CI.E. Holding B.V. |
| **Campari Ukraine LLC,** *trading company* | 8, Illinska Street, 5 Floor, block 8 and 9, Kiev | UAH | 87.396.209 | | | 100,00 | DI.CI.E Holding B.V. (99%), Campari RUS OOO (1%) |
| **DI.CI.E. Holding B.V.**, holding company | Luna Arena, Herikerbergweg 114, Zuidoost, Amsterdam | € | 15.015.000 | | 100,00 | | |
| **Glen Grant Ltd.**, *manufacturing and trading company* | Glen Grant Distillery, Rothes, Morayshire | GBP | 24.949.000 | | 100,00 | | |
| **Grand Marques Nederland B.V.,** financial and trading company | Nieuwe Gracht n. 11 Haarlem | € | 189.000 | | | 85,71 | Société des Produits Marnier Lapostolle S.A. |
| **Kaloyiannis - Koutsikos Distilleries S.A.**, *manufacturing and trading company* | 6 & E Street, A' Industrial Area, Volos | € | 6.811.220 | | | 100,00 | DI.CI.E. Holding B.V. |
| **Société Civile Immobilière Du Val ,** *property company* | 32 rue de Monceau, 75008 Paris | € | 16.769.392 | | | 99,99 | Société des Produits Marnier Lapostolle S.A. |
| **Société des Produits Marnier Lapostolle S.A.,** *società holding e di produzione* | 32 rue de Monceau, 75008 Paris | € | 27.157.500 | (3) | 72,19 | | |
| **Bisquit Dubouché et Cie. S.A.,** *holding and manufacturing company* | 90 Boulevard de Paris, Cognac | € | 21.096.000 | | | 100,00 | Société des Produits Marnier Lapostolle S.A. |
| **Campari Distribution Ireland Ltd.**, *trading company* | Lower Mont Street, Dublin | € | 245 | | 100,00 | | |
| **Sorfinn Ltd.,** *brand holder* | 70 Sir John Rogerson's Quay, Dublin | € | 2.600 | | 100,00 | | |
| ***Americas*** | | | | | | | |
| **Campari America LLC**, *manufacturing and trading company* | 1255 Battery, Street, Suite 500, San Francisco | USD | 566.321.274 | (2) | 100,00 | | |
| **Campari Services America LLC**, *services company* | 1255 Battery, Street, Suite 500, San Francisco | USD | 381.625 | | | 100,00 | Campari Services S.r.l. |
| **Campari Argentina S.A.**, *manufacturing and trading company* | Olga Cossettini, 243 Piso 3, Puerto Madeo, CABA | ARS | 711.865.930 | | | 100,00 | DI.CI.E. Holding B.V. (98,81%), Campari do Brasil Ltda. (1,19%) |
| **Campari do Brasil Ltda.**, *manufacturing and trading company* | Alameda Rio Negro 585, Edificio Demini, Conjunto 62, Alphaville-Barueri-SP | BRL | 239.778.071 | | 100,00 | | |
| **Campari Mexico S.A. de C.V.,** *manufacturing and trading company* | Avenida Americas 1592 3er Piso ol. Country Club, Guadalajara, Jalisco | MXN | 820.187.150 | | | 100,00 | DI.CI.E. Holding B.V. |
| **Campari Peru SAC,** *trading company* | Avenida Santo Toribio 115, Edificio Tempus, piso 5, San Isidro, Lima | PEN | 34.733.589 | (2) | | 100,00 | Campari Espãna S.L. (99,81%), Campari do Brasil Ltda. (0,19%) |
| **Forty Creek Distillery Ltd.,** *manufacturing and trading company* | 297 South Service Road West, Grimsby | CAD | 105.500.100 | (2) | | 100,00 | DI.CI.E. Holding B.V. |
| **Gregson's S.A.**(in liquidation) | Andes 1365, Piso 14, Montevideo | UYU | 0 | (1) | | 100,00 | Campari do Brasil Ltda. |
| **J. Wray&Nephew Ltd.,** *manufacturing and trading company* | 23 Dominica Drive, Kingstone 5 | JMD | 750.000 | | | 100,00 | Campari Espãna S.L. |
| **Marnier Lapostolle Inc.,** *trading company* | 183, Madison Avenue, New York | USD | 1.000.000 | | | 100,00 | Société des Produits Marnier Lapostolle S.A. |
| ***Others*** | | | | | | | |
| **Campari (Beijing) Trading Co. Ltd.**, *trading company* | Room 511, Block B, Xingfu Building, N.3 Dongsanhuan Beilu, Chaoyang District, Beijing | CNY | 104.200.430 | | | 100,00 | DI.CI.E. Holding B.V. |
| **Campari Australia Pty Ltd.,** *manufacturing and trading company* | Level 10, Tower B, 2017 Pacific Highway, St Leonards, Sydney | AUD | 56.500.000 | | | 100,00 | DI.CI.E. Holding B.V. |
| **Campari India Private Ltd.,** *trading company* | 311B, DLF South Court, Saket, New Delhi | INR | 100.000 | | | 100,00 | DI.CI.E. Holding B.V. |
| **Campari Japan Ltd.**, *trading company* | 6-17-15, Jingumae Shibuya-ku, Tokyo | JPY | 3.000.000 | | | 100,00 | DI.CI.E. Holding B.V. |
| **Campari New Zealand Ltd.,** *trading company* | C/o KPMG 18, Viaduct Harbour Av., | NZD | 10.000 | | | 100,00 | Campari Australia Pty |

| Name, activity | Registered office | Share of capital at 30 June 2018 | | % owned by Parent Company | | |
|---|---|---|---|---|---|---|
| | | Currency | Amount | Direct | Indirect | Direct shareholder |
| **Campari Singapore Pte Ltd.**, *trading company* | Maritime Suar 16 Raffles Quay # 10-00, Hong Leong Building, Singapore | SGD | 100.000 | | 100,00 | Campari Australia Pty Ltd |
| **Campari South Africa Pty Ltd.**, *trading company* | 12th Floor, Cliffe Deker Hofmeyr 11 Buitengracht street, Cape Town | ZAR | 290.247.750 | | 100,00 | DI.CI.E. Holding B.V. |
| **Investments accounted for using equity method** | | | | | | |
| **Trans Beverages Company Limited Ltd,** trading company | Nr 1702,c-dong (GL Metrocity Munjung SK V1) 642-3 Munjung-dong, Songpa-gu, Seoul, Korea | KRW | 2.000.000.000 | | 40,00 | Glen Grant Ltd. |

(1) Company in liquidation
(2) Includes capital contribution
(3) The figure does not include the portion of capital with right of usufruct, of 2.24%.

**Currency conversion criteria and exchange rates applied to the financial statements**

The exchange rates used for conversion transactions are shown below.

| | 30 June 2018 | | 31 December 2017 | 30 June 2017 |
|---|---|---|---|---|
| | average rate | end-of-period rate | end-of-period rate | average rate |
| US Dollar | 1.211 | 1.166 | 1.199 | 1.082 |
| Canadian Dollar | 1.546 | 1.544 | 1.504 | 1.444 |
| Jamaica Dollars | 152.834 | 151.224 | 149.403 | 139.080 |
| Argentine Peso | 26.026 | 32.705 | 22.931 | 16.993 |
| Australian Dollar | 1.569 | 1.579 | 1.535 | 1.435 |
| Brazilian Real | 4.141 | 4.488 | 3.973 | 3.439 |
| Switzerland Francs | 1.170 | 1.157 | 1.170 | 1.076 |
| Chile Pesos | 740.234 | 757.260 | 737.290 | 713.797 |
| Yuan Renminbi | 7.710 | 7.717 | 7.804 | 7.440 |
| Euro | 1.000 | 1.000 | 1.000 | 1.000 |
| Great Britain Pounds | 0.880 | 0.886 | 0.887 | 0.860 |
| India Rupees | 79.504 | 79.813 | 76.606 | 71.113 |
| Japanese Yen | 131.603 | 129.040 | 135.010 | 121.610 |
| South Korean Won | 1,302.872 | 1,296.720 | 1,279.610 | 1,235.384 |
| Mexican peso | 23.074 | 22.882 | 23.661 | 21.018 |
| New Zealand Dollars | 1.691 | 1.725 | 1.685 | 1.528 |
| Peruvian sol | 3.933 | 3.819 | 3.885 | 3.545 |
| Russia Rubles | 71.975 | 73.158 | 69.392 | 62.744 |
| Singapore Dollars | 1.606 | 1.590 | 1.602 | 1.520 |
| Ukraine Hryvnia | 32.375 | 30.687 | 33.732 | 28.962 |
| Uruguay Pesos | 35.394 | 36.544 | 34.552 | 30.746 |
| Rand | 14.886 | 16.048 | 14.805 | 14.312 |
| Dirham of Emirates | 4.447 | 4.281 | 4.404 | 3.973 |

**Use of estimates**

The preparation of the financial statements and related notes in accordance with IFRS requires the management to make estimates and assumptions that have an impact on the value of revenues, costs, assets and liabilities in the statement of financial position and on disclosures concerning contingent assets and liabilities at the reporting date.

If, in the future, these estimates and assumptions, based on the best valuation currently available, differ from the actual circumstances, they will be amended accordingly at the time the circumstances change.

In particular, estimates are used to identify provisions for risks with respect to receivables, obsolete inventory, depreciation and amortisation, asset impairment, employee benefits, taxes, restructuring reserves and accrual of other provisions.

The estimates and assumptions are reviewed periodically and the impact of any change is reflected in the income statement.

Goodwill and intangible assets with an indefinite useful life are subject to annual impairment tests to check for any losses in value.

The calculations are based on expected financial flows from the cash-generating units to which the goodwill is attributed, as inferred from multi-year budgets and plans.

## 3. Accounting astandards adopted

The accounting standards adopted by the Group are the same as those applied to the annual financial statements for the year ending 31 December 2017, except for the new accounting standards, interpretations and amendments adopted as reported below.

**Summary of the new accounting standards adopted by the Group from 1 January 2018**

Changes in the summaries of the accounting standards used in preparing the condensed consolidated half-year financial statements compared with those used for the consolidated financial statements for the year ending 31 December 2017 are set out below.

**<u>Recognition of revenues, income and expense in the income statement</u>**

**Revenues from sales and services**

Revenues are recognised when the customer gains control of the goods or service. Transfer of control is determined using a five-step analytical model that is applied to all revenues from contracts with customers.
The Group's revenues include sales of spirits on the market, revenues from co-packing services and retail sales. Revenues are recognised at the price shown in the contract, net of any estimates of deferred discounts or incentives, granted in line with market practice.
No element of financing is deemed to be present as sales are made with only a brief delay before payment. Discounts relating to specific payment terms that lower the Group entity's collection risk or reduce administrative costs and/or improve liquidity (such as payments at the time of sale) are recognised as a reduction in revenue.
The Group incurs consumption taxes all over the world. In most of the jurisdictions, excise duties are a production tax that becomes payable when the product is removed from the tied estate, and is not directly correlated with the sales value. Excise duties are recognised as a cost, offset against the revenue amounts collected from customers. Within the Group's income statement, sales are reported net of excise duties in line with industry practice.

**Recognition of costs and expenses in the income statement**

Costs are recognised in the income statement when they relate to goods and services consumed during the period.
Personnel costs include plans for stock options (in keeping with their largely remunerative nature) allocated to employees, directors and individuals who regularly carry out work for one or more Group companies.
Costs incurred in developing alternative products or processes, or in conducting technological research and development, are considered current costs and charged to the income statement in the period in which they are incurred.

**Financial income and charges**

Financial income and charges (including exchange difference) are mainly recognised in the income statement in the year in which they are incurred; recognition in other components of the statement of comprehensive income is governed by the rules of IFRS 9 – Financial Instruments. Financial charges that are not capitalised are recognised in the income statement based on the effective interest method.

**<u>Financial instruments</u>**

Financial instruments held by the Group are categorised as follows.

**i). Financial assets**

Financial assets include investments, short-term securities, financial receivables, which in turn include the positive fair value of financial derivatives, trade and other receivables and cash and cash equivalents.
Specifically, cash and cash equivalents include cash, bank deposits and highly liquid securities that are readily convertible into cash and are subject to an insignificant risk of a change in value. Deposits and securities included in this category mature in less than three months from the end of the period.
Current securities include short-term securities or marketable securities that represent a temporary investment of cash and do not meet the requirements for classification as cash and cash equivalents.
Financial assets are classified and valued on the statement of financial position based on the business model that the Group has adopted to manage its various financial assets, and based on the financial flows associated with each financial asset.
Financial assets also include investments in companies that are not held for trading. These assets are strategic investments, and the Group has decided to recognise changes in the related 'fair values through profit or loss' (FVTPL).
Financial assets are tested for recoverability by applying an impairment model based on 'expected credit loss' (ECL).

**ii). Financial liabilities**

Financial liabilities include financial payables, also represented by the negative fair value of derivative financial instruments, trade payables and other payables.
Financial liabilities are classified and measured at amortised cost, except for financial liabilities initially measured at fair value, such as financial liabilities related to earn out arising from business combination and derivatives and financial liabilities related to put options on minorities interests.

**iii). Derecognition of financial assets and liabilities**

A financial asset or liability (or, if applicable, part of a financial asset/liability or part of a group of similar financial assets/liabilities) is derecognised from the statement of financial position if the Group has unconditionally transferred the right to receive financial flows from the asset or the obligation to make payments or fulfil other obligations related to the liability.

**iv). Financial derivatives and hedging transactions**

Financial derivatives are used solely for hedging purposes to reduce exchange and interest rate risk. Financial derivatives are only accounted for according to the methods established for hedge accounting (fair value hedge or cash flow hedge) if, at the start of the hedging period, the hedging relationship has been designated. All financial derivatives are measured at their fair value.
If hedge accounting cannot be applied, any gains or losses resulting from measuring the financial derivative at its present value are posted to the income statement.

## 4. Changes in accounting standards

**a. IFRS 15 – Revenue from Contracts with Customers: impacts of first-time adoption**
The aim of the new standard, adopted starting from 1 January 2018, is to improve the quality and uniformity of revenue recognition and the comparability of financial statements prepared in accordance with IFRS and US accounting principles. Under the new standard, revenue recognition may no longer be based on the earnings method but on the asset-liability method, which focuses on the date that control of the sold asset was transferred. The Group has completed its analysis of its revenue valuation model in light of the provisions of the new standard. Based on its analysis, no differences were found in the way in which it identifies the timing of revenue recognition: the change in methodology therefore does not have a significant impact on the Group's overall financial results. However, some components were identified that were previously classified as advertising and promotional (A&P) costs in the income statement but were instead recognised as a reduction in revenues; this is because they relate to payments to clients that are not attributable to products or services that can be separated from the main sales transaction. These components are listed below. These cases fall into the following categories:
- visibility initiatives at sales outlets;
- product listing fees;
- coupons;
- incentives and contributions paid to distributors that are not related to promotions and other marketing initiatives.

The Group decided to approach the transition by making retrospective application, as provided for by the new standard. It has therefore presented the financial figures for 2017 in the layout stipulated in the new methodology from 1 January 2018. The adoption of IFRS 15 has no effect on the opening shareholders' equity at 1 January 2018.

The effects of applying the new standard on the comparative figures at 30 June 2017 are shown below.

### Income statement

| | 30 June 2017 published | | Change | 30 June 2017 after IFRS 15 reclassifications | |
|---|---|---|---|---|---|
| | € million | % | € milion | € million | % |
| **Net sales** | **844.7** | **100.0** | **(28.3)** | **816.3** | **100.0** |
| Cost of goods sold | (339.2) | -40.2 | | (339.2) | -41.6 |
| **Gross margin** | **505.4** | **59.8** | **(28.3)** | **477.1** | **58.4** |
| Advertising and promotional costs | (162.7) | -19.3 | 28.3 | (134.3) | -16.5 |
| **Contribution margin** | **342.8** | **40.6** | | **342.8** | **42.0** |
| Overheads | (179.4) | -21.2 | | (179.4) | -22.0 |
| **Adjusted result from recurring activities** | **163.4** | **19.3** | | **163.4** | **20.0** |
| Adjustments to operating income (charges) | (5.0) | -0.6 | | (5.0) | -0.6 |
| **Operating result** | **158.4** | **18.8** | | **158.4** | **19.4** |

### Sales performance

| | 30 June 2017 published | | Change | 30 June 2017 after IFRS 15 reclassifications | |
|---|---|---|---|---|---|
| | € million | % | € milion | € million | % |
| Americas | 375.5 | 44.5% | (4.5) | 371.1 | 45.5% |
| Southern Europe, Middle East and Africa | 258.8 | 30.6% | (15.4) | 243.4 | 29.8% |
| Northern, Central and Eastern Europe | 157.0 | 18.6% | (7.1) | 150.0 | 18.4% |
| Asia-Pacific | 53.3 | 6.3% | (1.4) | 51.9 | 6.4% |
| **Total** | **844.7** | **100.0%** | **(28.3)** | **816.3** | **100.0%** |

### Operating segments at 30 June 2017

**Americas**

| | 30 June 2017 published | | Change | 30 June 2017 after IFRS 15 reclassifications | |
|---|---|---|---|---|---|
| | € million | % | € milion | € million | % |
| **Net sales** | **375.5** | **100.0** | **(4.5)** | **371.1** | **100.0** |
| **Gross margin** | **220.4** | **58.7** | **(4.5)** | **216.0** | **58.2** |
| Advertising and promotional costs | (72.7) | -19.4 | 4.5 | (68.2) | **-18.4** |
| Overheads | (75.1) | -20.0 | | (75.1) | **-20.2** |
| **Result from recurring activities** | **72.6** | **19.3** | | **72.6** | **19.6** |

**Southern Europe, Middle East and Africa**

| | 30 June 2017 published | | Change | 30 June 2017 after IFRS 15 reclassifications | |
|---|---|---|---|---|---|
| | € million | % | € milion | € million | % |
| **Net sales** | **258.8** | **100.0** | **(15.4)** | **243.4** | **100.0** |
| **Gross margin** | **161.4** | **62.4** | **(15.4)** | **146.0** | **60.0** |
| Advertising and promotional costs | (50.6) | -19.6 | 15.4 | (35.2) | -14.5 |
| Overheads | (66.6) | -25.7 | | (66.6) | -27.4 |
| **Result from recurring activities** | **44.1** | **17.1** | | **44.1** | **18.1** |

**Northern, Central and Eastern Europe**

| | 30 June 2017 published | | Change | 30 June 2017 after IFRS 15 reclassifications | |
|---|---|---|---|---|---|
| | € million | % | € milion | € million | % |
| **Net sales** | **157.0** | **100.0** | **(7.1)** | **150.0** | **100.0** |
| **Gross margin** | **99.4** | **63.3** | **(7.1)** | **92.3** | **61.5** |
| Advertising and promotional costs | (30.6) | -19.5 | 7.1 | (23.5) | -15.7 |
| Overheads | (25.2) | -16.0 | | (25.2) | -16.8 |
| **Result from recurring activities** | **43.6** | **27.8** | | **43.6** | **29.1** |

**Asia-Pacific**

| | 30 June 2017 published | | Change | 30 June 2017 after IFRS 15 reclassifications | |
|---|---|---|---|---|---|
| | € million | % | € milion | € million | % |
| **Net sales** | **53.3** | **100.0** | **(1.4)** | **51.9** | **100.0** |
| **Gross margin** | **24.2** | **45.5** | **(1.4)** | **22.8** | **44.0** |
| Advertising and promotional costs | (8.8) | -16.5 | 1.4 | (7.4) | -14.2 |
| Overheads | (12.5) | -23.4 | | (12.5) | -24.0 |
| **Result from recurring activities** | **3.0** | **5.6** | | **3.0** | **5.8** |

### b. IFRS 9 – Financial Instruments: impacts of first adoption

From 1 January 2018, IFRS 9 – Financial Instruments, published by the IASB in July 2014 and ratified by the European Union in November 2016, replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 introduces new criteria for the classification and measurement of financial assets and financial liabilities, a new model for calculating the impairment of financial assets and new provisions for hedge accounting.
With the overall analysis of the application of the new accounting standard, the Group evaluated potentially arising impacts introduced by amendment to IFRS 9 – Prepayment Features with Negative Compensation (applicable starting from 1 January 2019 and not yet ratified)

The Group applied the following transitional provisions of IFRS 9 retrospectively, as at 1 January 2018:
- the Group made use of the exemption that allows it not to recalculate the comparative information of the previous year due to changes in classification and measurement (including the new provisions on methods of calculating the impairment of financial assets). Therefore, the differences in the carrying amounts of financial assets and liabilities arising from the adoption of IFRS 9 will be recognised under retained earnings and reserves at 1 January 2018;
- with reference to the methods of showing hedging transactions, the Group has decided to continue applying the provisions of IAS 39 and postpone the application of hedge accounting as set out in IFRS 9, as permitted by the new standard.

*A) Financial Instruments: Recognition and Measurement*

Financial assets

Under IFRS 9, receivables, loans and debt securities recorded under financial assets are classified in the following three categories based on the characteristics of the financial flows of these assets (checked via the SPPI test) and the business model used to manage them:
- assets measured at amortised cost;
- assets measured at fair value reported in other items of comprehensive income (‘FVOCI’, fair value through other comprehensive income);
- assets measured at fair value through profit or loss (‘FVTPL’, fair value through profit or loss).

Derivatives incorporated in contracts where the primary element is a financial asset that falls within the scope of the standard no longer have to be separated. Instead, this hybrid instrument is examined for the purpose of classifying it as a whole.

The above-mentioned categories laid down by IFRS 9 replace the previous categories of IAS 39: assets held to maturity, loans and receivables, assets available for sale and assets measured at FVTPL.

Specifically, a financial asset must be measured at amortised cost if it is not designated at FVTPL and both of the following conditions are met:
- the financial asset is held within a portfolio with a business model whose objective is to hold financial assets

in order to collect the contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset must be measured at FVOCI if it is not designated at FVTPL and both the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by collecting the contractual cash flows as well as selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets that do not fall into the previous two categories are measured at FVTPL.

The main impacts arising from first-time application of IFRS 9, in terms of the classification and measurement of financial assets, relate to some investments in debt securities included in 'current financial receivables' and 'other non-current assets for which measurement at fair value through profit or loss (FVTPL) is mandatory'. The impact of applying the new provisions on opening shareholders' equity at 1 January 2018 was not significant.

The Group has opted to measure equity securities, represented by investments other than in subsidiaries, associates and joint-ventures and not held for trading purposes, at fair value through profit and loss ('FVTPL'), rather that using the option that allows measurement to FVOCI. With reference to the investments held in other companies included in "other non-current assets", the impact of applying the new provisions on opening shareholders' equity amounted to €2.3 million (value not subject to tax).

<u>Financial liabilities</u>
IFRS 9 essentially maintains the provisions of IAS 39 on the classification and measurement of financial liabilities, with the exception of financial liabilities measured at FVTPL, for which changes in fair value related to changes in issuer credit risk ('own credit risk') are recognised under other comprehensive income rather than through the operating result for the period, unless this gives rise to an accounting asymmetry.
The first-time adoption of IFRS 9 did not have an impact on the Group's financial liabilities.

*B) Impairment*
IFRS 9 replaces the impairment model based on 'incurred loss', as laid down by IAS 39, with a forward-looking model based on 'expected credit loss' or ECL. Under these new provisions, the event triggering the loss (the impairment trigger) does not have to occur for the resulting loss to be recognised in the financial statements, but the expected future loss, determined using current and historical data, as well as forward-looking information about future circumstances, must immediately be recognised.
The Group reviewed its impairment testing process for recorded assets and, in the case of trade receivables, applied the simplified method, which considers the probabilities of defaults over the financial instrument's life ('lifetime expected credit losses'). Impaired trade receivables are analysed based on the debtor's creditworthiness and ability to pay the sums due, as well as the degree of effective coverage of any underlying collateral and personal guarantees. With regard to the other trade receivables, the Group has defined two approaches for estimating impairment, in view its current situation: one is matrix-based and the other applies the probability of default ('PD'), obtained from external sources specialising in the country in which each subsidiary is located.
It should be noted that a financial asset is considered impaired when internal or external information indicates that it is unlikely that the Group will receive the full contractual amount.
The impact of applying the new provisions on opening shareholders' equity at 1 January 2018 was €1.2 million (gross of the related tax effect of €0.4 million).

Lastly, other financial assets measured at amortised cost, and, specifically, cash and cash equivalents, were measured according to the new regulatory provisions, but the impact in terms of expected loss was not considered material; for this reason, no adjustments were made to the published balances for the year ending 31 December 2017.

The table below provides a summary of the effects of applying IFRS 9 in relation to the information shown at 31 December 2017.

## Impact on consolidated shareholders' equity

| | Amounts in € million |
|---|---|
| **Balance of retained earnings reserve at 31 December 2017 (published)** | **1,995.6** |
| Increase in provision for doubtful trade receivables | (1.2) |
| Equity investments in other companies | 2.3 |
| Tax effect of the adjustments as a result of applying IFRS 9 | 0.4 |
| **Balance of retained earnings reserve at 1 January 2018** | **1,997.1** |

## Impact on trade receivables

| Trade receivables and other receivables<br>Amounts in € million | 31 December 2017 (published) – IAS 39 | Restatements and value changes | 1 January 2018 – IFRS 9 |
|---|---|---|---|
| Trade receivables from external customers | 307.9 | (1.2) | 306.7 |
| Receivables in respect of contributions to promotional costs | 9.6 | - | 9.6 |
| **Trade receivables** | **317.5** | **(1.2)** | **316.3** |
| Payments on account to suppliers of fixed assets | 0.2 | - | 0.2 |
| Advances and other receivables from suppliers | 4.2 | - | 4.2 |
| Other receivables from tax authorities | 8.1 | - | 8.1 |
| Receivables from agents and miscellaneous customers | 3.1 | - | 3.1 |
| Deferred charges | 12.0 | - | 12.0 |
| Other | 4.3 | - | 4.3 |
| **Other receivables** | **31.8** | **-** | **31.8** |

| | Amounts in € million |
|---|---|
| **Provision for impaired receivables at 31 December 2017 (published)** | **11.6** |
| Effect of remeasurement of impairment provision based on expected credit loss | 1.2 |
| **Provision for impaired receivables at 1 January 2018** | **12.8** |

## Impact on other non-current assets and financial receivables

| Other non-current receivables<br>Amounts in € million | 31 December 2017 (published) – IAS 39 | Restatements and value changes | 1 January 2018 – IFRS 9 |
|---|---|---|---|
| Financial receivables | 10.8 | - | 10.8 |
| Term deposits | 27.0 | - | 27.0 |
| **Non-current financial assets** | **37.8** | **-** | **37.8** |
| Equity investments in other companies | 1.3 | 2.3 | 3.6 |
| Security deposits | 0.9 | - | 0.9 |
| Other non-current receivables from main shareholders | 2.2 | - | 2.2 |
| Other non-current tax receivables | 4.2 | - | 4.2 |
| **Other non-current assets** | **8.7** | **2.3** | **11.0** |
| **Other non-current assets** | **46.5** | **2.3** | **48.8** |

## Impact on disclosures – financial instruments

| Financial assets and liabilities – disclosures<br>Amounts in € million | 31 December 2017 (published) – IAS 39 | Restatements and value changes | 1 January 2018 – IFRS 9 |
|---|---|---|---|
| **Assets measured at amortised cost(*), of which:** | **876.9** | **(30.6)** | **846.4** |
| *Cash and cash equivalents* | *514.5* | - | *514.5* |
| *Trade receivables* | *317.5* | *(1.2)* | *316.3* |
| *Current financial assets* | *7.2* | *(2.4)* | *4.8* |
| *Other non-current financial assets* | *37.8* | *(27.0)* | *10.8* |
| **Assets measured at fair value with changes recognised in income statement, of which:** | **2.8** | **31.7** | **34.5** |
| *Current financial assets* | - | *2.4* | *2.4* |
| *Other non-current financial assets* | - | *27.0* | *27.0* |
| *Non-current assets for hedging derivatives not reported using hedge accounting* | *1.5* | - | *1.5* |
| *Equity investments in other companies* | *1.3* | *2.3* | *3.6* |
| **Assets measured at fair value with changes recognised in statement of comprehensive income, of which:** | **0.6** | **-** | **0.6** |
| *Current assets for hedging derivatives* | *0.6* | - | *0.6* |
| **Liabilities measured at amortised cost(*), of which:** | **(1,549.6)** | **-** | **(1,549.6)** |
| *Payables to banks* | *(318.1)* | **-** | *(318.1)* |
| *Lease payables* | *(1.4)* | **-** | *(1.4)* |
| *Bonds* | *(995.6)* | **-** | *(995.6)* |
| *Accrued interest on bonds* | *(8.9)* | **-** | *(8.9)* |
| *Trade payables* | *(225.6)* | **-** | *(225.6)* |
| **Liabilities measured at fair value with changes recognised in income statement, of which:** | **(218.2)** | **-** | ***(218.2)*** |
| *Put option payables* | *(218.2)* | | *(218.2)* |
| **Liabilities measured at fair value with changes recognised in statement of comprehensive income, of which:** | **(0.9)** | **-** | ***(0.9)*** |
| Non-current liabilities for derivatives relating to interest rate swaps on future transactions | (0.7) | - | *(0.7)* |
| Current liabilities for hedging derivatives | (0.2) | - | *(0.2)* |
| **Total financial assets and liabilities impacted by the application of IFRS 9 – restatements and value changes** | **(888.4)** | **1.1** | **(887.3)** |

**c. Other accounting standards, amendments and interpretations applicable since 1 January 2018**

Interpretation IFRIC 22 – Foreign Currency Transactions and Advance Consideration

IFRIC 22 aims to clarify the accounting methodology for transactions that involve the receipt or payment of advance consideration in a foreign currency, and, specifically, when an entity recognises a non-monetary asset or liability arising from the payment or receipt of advance consideration before it recognises the related asset, expense or income. The application of the interpretation did not have an impact on the Group's financial position and profitability.

Amendment to IAS 40 – Transfers of Investment Property

One of the main changes introduced by the amendment is that an entity may only transfer a property to or from investment property when there is evidence of a change in use. The application of the amendment did not have an impact on the Group's financial position and profitability.

Amendment to IFRS 2 – Classification and Measurement of Share-based Payment

The main changes to IFRS 2 relate to three key areas:

- the accounting treatment of 'vesting conditions' and 'non-vesting conditions' for a cash-settled share-based payment;
- the classification of a share-based payment settled net of withholding tax obligations;
- the accounting treatment required if a change in the terms and conditions of a share-based payment changes its classification from cash-settled to equity-settled.

The Group does not have any existing cash-settled stock option plans. Moreover, it did not carry out any share-based payments settled net of withholding tax obligations, and did not make any changes to the terms and conditions of its own share-based payments. The changes described did not therefore affect the Group's financial position or profitability.

**d. Accounting standards, amendments and interpretations that have been ratified but are not yet applicable/have not been adopted by the Group in advance**

IFRS 16 – Leases (applicable from 1 January 2019)

On 13 January 2016, the IASB published the new accounting standard IFRS 16 – Leases. The new standard replaces IAS 17 and provides methods of accounting presentation that more appropriately reflect the type of leases in the balance sheet. The new IFRS 16 is applicable from 1 January 2019, but early adoption is permitted. Specifically, IFRS 16 introduces a single model for accounting for leases in the financial statements of lessees, requiring lessees to recognise an asset for the use of the underlying asset and a liability for the obligation to pay rent. Furthermore, the nature of the costs of the above-mentioned leases will change since IFRS 16 will replace the recognition on a straight-line basis of the costs of operating leases with depreciation of the right-of-use asset and the financial charges of the lease liabilities. IFRS 16 will be adopted by the Group from 1 January 2019 as follows:

- regarding first-time adoption of the standard, the Group intends to adopt the modified retrospective approach. Therefore, the figures for the comparative period will not be restated; some simplifications and practical expedients will be applied, as permitted by the standard;
- in the definition of the scope of application, lease agreements with a low unit value (i.e. unit value lower than USD 5,000) and short-term leases (i.e. less than 12 months) are managed separately. Costs relating to these leases will continue to be recognised in the income statement as separately identified operating costs and will mainly relate to some IT equipment;
- we are in the process of finalising the measurement of contracts for the purposes of applying IFRS 16. Based on our provisional analysis, the greatest impact will be on existing contracts relating to buildings, vehicles and industrial equipment.

As part of our ongoing analysis, the Group is also considering arrangements which are not legally a lease but contain a lease pursuant to IFRIC 4. In these situations, the Group may decide to:

- apply the definition of a lease contained in IFRS 16 to all contracts; or
- as a practical expedient, not reassess whether the arrangements contain a lease.

The Group is deciding whether or not to apply the practical expedient and is assessing the potential impact on the consolidated financial statements and whether this will affect the number of contracts identified as leases upon transition to the new standard.

Lastly, it should be noted that analysis is under way to identify an appropriate IT system to provide accounting support for the new way of presenting leases in terms of the Company's income, capital invested and financial position.

**e. Accounting standards, amendments and interpretations not yet ratified**

Amendment to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)

The IASB has published a revised version of the Conceptual Framework for Financial Reporting, with first application planned for 1 January 2020. The main changes relate to:

- a new chapter on measurement;
- better definitions and guidance, with particular regard to the definition of liabilities;
- clarifications of important concepts such as stewardship, prudence and measurement uncertainty.

The Group is assessing whether these revisions could have an impact on its financial position.

Amendments to IAS 28 – Investments in Associates and Joint-Ventures (issued on 12 October 2017)
The changes introduced by this amendment have been evaluated by the Group as part of its overall analysis of the application of IFRS 9, as commented on above.

Interpretation IFRIC 23 – Uncertainty over Income Tax Treatments (issued on 7 June 2017)
IFRIC 23 aims to clarify how to calculate current and deferred taxes when there is uncertainty about the tax treatment adopted by the entity drawing up the financial statements and which may not be accepted by the tax authorities. The Group is assessing whether the interpretation could have an impact on its financial position.

IFRS 17 – Insurance Contracts (issued on 18 May 2017)
The new accounting standard is not applicable to the Group financial statements.

Amendment IAS 19 – Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)
In this amendment, the IASB clarifies how to calculate pension expenses if there is a change in the defined benefit plan. The Group is assessing whether these clarifications could have an impact on its financial position.

## 5. Seasonal factors

Sales of some Group products are more affected than others by seasonal factors, because of different consumption patterns or consumer habits.
In particular, sales of sparkling wines in some countries are concentrated in certain periods of the year, mainly around Christmas. The Group's commercial risk is higher because the result obtained in these periods can significantly influence the sales result for the full year.
In general, the Group's diversified product portfolio and the geographical spread of its sales help to substantially reduce any risks relating to seasonal factors.

## 6. Debt management

The Group's debt management objectives are based on its ability to ensure that it retains an optimal level of financial soundness, while maintaining an appropriate level of liquidity that enables it to make an economic return and access external sources of funding. The Group monitors changes to its net debt/EBITDA ratio on an ongoing basis. Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group's operating result before depreciation, amortisation and non-controlling interests, pro-rated to take account of sales and acquisitions in the past 12 months. At 30 June 2018, this multiple was 1.9 times (2.0 times at 31 December 2017).

## 7. Business combination (acquisition and disposal)

The impact of the purchases and businesses disposal carried out in the first half of 2018 on the Group's financial position is summarised below.

| | disposal<br>€ million | acquisition<br>€ million | total<br>€ million |
|---|---|---|---|
| Collection/(payment) at closing date | 81.4 | (65.0) | 16.4 |
| Net asset/(net liabilities) | (1.3) | 7.8 | 6.5 |
| **Total** | **80.1** | **(57.2)** | **22.9** |
| Other liabilities | 0.1 | (0.8) | (0.6) |
| **Total value of business combination** | **80.2** | **(57.9)** | **22.3** |

The disposal of the Lemonsoda business generated a capital gain of €38.5 million, shown in the consolidated result for the period as adjustments to operating income and charges.

**Acquisition of Bisquit**

As reported in the section 'Events after the end of the period', on 31 January 2018, the Group, via Société de Produits Marnier Lapostolle S.A., completed the acquisition of Bisquit Dubouché et Cie. S.A., for €52.7 million.

The acquisition reflects the Group's strategic priority to invest in acquiring significant stocks of high-quality cognac and to take full control of the process of maturing liquids up to the bottling stage. This investment will allow the Group to carry out a full relaunch of the acquired brand via innovation initiatives designed to exploit the potential of international markets, such as the United States and Asia, which are key regions for the premium cognac category. Moreover, in a commercial sense, this transaction enables the Group to further strengthen its presence in the South African market, the largest market for the acquired business, where a direct sales organisation was recently launched.

The Bisquit Cognac brand is expected to record *pro-forma* sales of approximately €9.0 million in 2018.
The impact of the acquisition on the Group's financial position is shown below.

| | *Bisquit Cognac* € million |
|---|---|
| **Business combination (acquisition and disposal)** | **(59.4)** |
| Cash and cash equivalent acquired | 7.5 |
| Commitments to purchase operating working capital | (2.0) |
| **Net financial assets acquired or disposed** | **5.5** |
| **Net effect on cash and cash equivalent** | **(53.9)** |
| Total amount net of financial liabilities from business combination and post-closing adjustments | 1.2 |
| **Net effect on net financial position** | **(52.7)** |

The allocation of the purchase price at fair value of the identifiable net assets acquired (brand, trade payables and some liabilities), with the difference as goodwill, is shown below. The allocation had no monetary impact. It should be emphasised that this allocation is provisional. Once further information about facts and events existing at the closing of the transaction is obtained, recognised and restated, the values calculated could be different from those presented in this report. This analysis will be carried out, in part with the assistance of an independent expert, within 12 months of the closing date.
The values shown below are explained in the following notes to the financial statements, where they are highlighted as perimeter effect for acquisition in the statement of financial position. Where not expressed in euro, the values were converted at the exchange rate on the closing date of the transaction.

| *fair value* at acquisition date | Book values at acquisition date € million | Adjustment and reclassification € million | Provisional *fair value* at 30 June 2018 € million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current asset** | | | |
| Net-tangible assets | 4.1 | - | 4.1 |
| Brand | 12.6 | (12.6) | 0.1 |
| Deferred tax assets | 6.2 | - | 6.2 |
| **Total non- current assets** | **22.9** | **(12.6)** | **10.3** |
| **Current assets** | | | |
| Inventories | 42.8 | - | 42.8 |
| Trade receivables | 0.7 | - | 0.7 |
| Cash and cash equivalent | 7.5 | - | 7.5 |
| Other receivables | 0.2 | - | 0.2 |
| **Total current assets** | **51.2** | **-** | **51.2** |
| **Assets held for sale** | - | - | - |
| **Total Assets** | **74.1** | **(12.6)** | **61.5** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Non-current liabilities** | | | |
| Provision for risk and charges | 0.1 | - | 0.1 |
| **Total non-current liabilities** | **0.1** | **-** | **0.1** |
| **Current liabilities** | | | |
| Other financial liabilities | 53.2 | (53.2) | - |
| Trade payables | 1.0 | - | 1.0 |
| Other current liabilites | 0.4 | (0.2) | 0.3 |
| **Total current liabilites** | **54.7** | **(53.4)** | **1.3** |
| **Liabilities held for sale** | - | - | - |
| **Total liabilities** | **54.7** | **(53.4)** | **1.4** |
| **Net assets acquired** | **19.4** | **40.8** | **60.2** |
| **Goodwill generated by acquisition** | | - | - |
| **Total cost, of which** | **-** | | **60.2** |
| Price paid in cash, excluding ancillary costs | | | 60.2 |
| **Net cash position acquired, of which** | (45.7) | 53.2 | 7.5 |
| *- Cash, cash equivalent and financial assets* | *7.5* | | *7.5* |
| *- Financial debt acquired* | *(53.2)* | *53.2* | - |

The business acquired includes stock, in particular, maturing inventory, production plants, blending cellars and bottling lines.
With regard to the Bisquit brand, it should be noted that, taking into account the profitability of the acquired business on the closing date, the Group has provisionally estimated that it will allocate a value of €0.1 million to the brand. The allocation value, although provisional, does not reflect the above-mentioned initiatives to relaunch the brand, which the Group intends to carry out after the acquisition, in line with its strategic plans.

| Intangible assets generated | Goodwill € million | Brand € million | Total € million |
|---|---|---|---|
| Provisional fair value at the date of acquisition | - | 0.1 | 0.1 |
| Provisional fair value published at 30 June 2018 | - | 0.1 | 0.1 |

## 8. Operating segment

The Group's operating businesses are determined on the basis of the results of the operating segments, which are periodically reviewed by the Chief Operating Decision Maker (Chief Executive Officer) to assess performance and inform resource allocation decisions.
Since 2012, the Group has mainly based its management analysis on geographical regions, identified as operating segments that reflect the Group's operating model and current way of working by business unit.
The geographical regions considered are: i) the Americas ii) Southern Europe, Middle East and Africa iii) Northern, Central and Eastern Europe and (iv) Asia-Pacific.

The level of profitability analysed is the result from recurring activities, equal to the operating result before adjustments to operating income and charges (for a definition of alternative performance indicators, please see the 'Alternative performance indicators' section of the interim Report on operations above).
In addition, the profitability of each region reflects the profit generated by the Group through sales to third parties in that region, thereby cancelling out the effects of inter-company margins.

| First half 2018 | Americas | Southern Europe, Middle East and Africa | Northern, Central and Eastern Europe | Asia-Pacific | Total allocated | Non-allocated items and adjustments | Consolidated |
|---|---|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million | € million | € million |
| Net sales to third parties | 333.3 | 236.2 | 154.4 | 54.3 | 778.2 | - | 778.2 |
| Net sales between segments | 21.5 | 147.5 | 11.2 | 0.1 | 180.2 | (180.2) | - |
| **Total net sales** | **354.8** | **383.7** | **165.6** | **54.3** | **958.4** | **(180.2)** | **778.2** |
| **Segment result** | **65.8** | **44.0** | **46.0** | **4.7** | **160.5** | **-** | **160.5** |
| Adjustment to operating income (charges)(1) | - | - | - | - | - | 19.6 | 19.6 |
| Operating result | - | - | - | - | - | - | 180.1 |
| Financial income (charges) | - | - | - | - | - | (13.2) | (13.2) |
| Share of net profit (loss) of companies accounted for using the equity method | - | - | - | - | - | (0.1) | (0.1) |
| Put option, earn out and discounted effect income (charges) | - | - | - | - | - | (0.9) | (0.9) |
| Taxes | - | - | - | - | - | (18.8) | (18.8) |
| **Group profit for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **147.2** |
| Depreciation/amortization | - | **-** | **-** | **-** | **-** | **(27.4)** | **(27.4)** |

(1) For information on the definition of alternative performance indicators, see the previous section of this interim Report on operations ('Alternative performance indicators').

| First half 2017 | Americas | Southern Europe, Middle East and Africa | Northern, Central and Eastern Europe | Asia-Pacific | Total allocated | Non-allocated items and adjustments | Consolidated |
|---|---|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million | € million | € million |
| Net sales to third parties | 371.1 | 243.4 | 150.0 | 51.9 | 816.3 | - | 816.3 |
| Net sales between segments | 17.7 | 131.0 | 20.9 | 0.1 | 169.7 | (169.7) | - |
| **Total net sales** | **388.8** | **374.4** | **170.8** | **52.0** | **986.0** | **(169.7)** | **816.3** |
| **Segment result** | **72.6** | **44.1** | **43.6** | **3.0** | **163.4** | **-** | **163.4** |
| Adjustment to operating income (charges) (1) | - | - | - | - | - | (5.0) | (5.0) |
| Operating result | - | - | - | - | - | - | 158.4 |
| Financial income (charges) | - | - | - | - | - | (47.4) | (47.4) |
| Share of net profit (loss) of companies accounted for using the equity method | - | - | - | - | - | - | - |
| Put option, earn out and discounted effect income (charges) | - | - | - | - | - | (2.5) | (2.5) |
| Taxes | - | - | - | - | - | 0.2 | 0.2 |
| **Group profit for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **108.6** |
| Depreciation/amortization | - | **-** | **-** | **-** | **-** | **(28.4)** | **(28.4)** |

(1) For information on the definition of alternative performance indicators, see the previous section of this interim Report on operations ('Alternative performance indicators').

## 9. Net sales

| | First half 2018 | First half 2017 - restated |
|---|---|---|
| | € million | € million |
| Sale of goods | 769.0 | 806.4 |
| Rendering of services | 9.2 | 9.9 |
| **Total net sales** | **778.2** | **816.3** |

(*) For more information on the impact of applying IFRS 15 – Revenues from Contracts with Customers, see note 4– Changes in accounting standards.

For a more detailed analysis of net sales, please refer to the information in the 'Sales performance' section of the Half-year report on operations. The provision of services relates to bottling the products of third parties.

## 10. Cost of goods sold

The cost of goods sold is broken down by function and by type in the table below.

| | First half 2018 € million | First half 2017 € million |
|---|---|---|
| Materials and manufactoring costs | 268.9 | 299.7 |
| Distribution costs | 37.4 | 39.6 |
| **Total cost of good sold** | **306.3** | **339.2** |
| **Breakdown by type** | | |
| Raw materials and finished goods acquired from third parties | 181.3 | 203.3 |
| Inventory write-downs | 0.5 | 2.9 |
| Personnel costs | 36.8 | 41.1 |
| Depreciation/amortisation (*) | 17.7 | 19.2 |
| Utilities | 5.3 | 6.9 |
| External production and maintenance costs | 17.7 | 19.4 |
| Variable transport costs | 26.2 | 27.6 |
| Other costs | 20.8 | 18.8 |
| **Total cost of goods sold** | **306.3** | **339.2** |

## 11. Overheads

A breakdown of overheads is shown by function and by type in the two tables below.

| | First half 2018 € million | First half 2017 € million |
|---|---|---|
| Sals costs | 75.5 | 78.2 |
| General and administrative expenses | 81.4 | 106.1 |
| **Total overheads** | **156.9** | **184.3** |
| **Details by nature:** | | |
| Agents and other variable sales costs | 5.6 | 5.9 |
| Depreciation/amortisation | 9.3 | 8.7 |
| Personnel costs | 105.2 | 105.4 |
| Travel, besiness trip, training and meetings | 17.6 | 16.9 |
| Utilities | 0.8 | 0.9 |
| Services, maintenance and insurance | 19.6 | 26.1 |
| Administrative service | 0.3 | - |
| Operating leases and rental expenses | 7.0 | 6.1 |
| Other | 11.2 | 9.4 |
| **Total overheads before Adjustments to operating income (charges)** | **176.5** | **179.4** |
| Adjustments to operating income (charges)(1) | (19.6) | 5.0 |
| **Total overheads** | **156.9** | **184.3** |

(1) For information on the definition of alternative performance indicators, see the previous section of this Interim report on operations ('Alternative performance indicators').

## 12. Adjustments to operating income and charges

The operating result for the period was affected by the following transactions or events.

| | First half 2018 € million | First half 2017 € million |
|---|---|---|
| Other capital gains on the sale of tangible assets | 1.0 | 0.2 |
| Capital gains from the sale of business | 38.5 | - |
| **Total income adjustment items** | **39.5** | **0.2** |
| Accruals to provisions for staff restructuring | (4.0) | (0.2) |
| Personnel restructuring costs | (6.6) | (3.3) |
| Impairment and other restructuring expenses | (8.3) | (0.1) |
| Pernalty for the termination of distribution relationship | (0.1) | (1.1) |
| Other expenses | (0.8) | (0.5) |
| **Total expense adjustment items** | **(19.9)** | **(5.2)** |
| **Total adjustment to operating income (charges)** | **19.6** | **(5.0)** |

The positive adjustment components for the period included total income of €38.5 million attributable to the sale of the Lemonsoda business plus €1.0 million generated by the sale of real estate.

The negative adjustment components included expenses of €8.3 million relating to reorganisation processes within the Group, and mainly concerned the relocation of the Campari America headquarters from San Francisco to New York and the optimisation of production capacity in Brazil.
Lastly, the Group recorded personnel restructuring costs of €10.6 million, of which €4.0 million was allocated to provisions for risks and charges.

## 13. Personnel cost

Personnel costs for the period break down as follows.

| | First half 2018<br>€ million | First half 2017<br>€ million |
|---|---|---|
| Salaries and wages | 114.4 | 115.4 |
| Social security contributions | 18.9 | 19.8 |
| Cost of defined contribution plans | 4.1 | 4.0 |
| Cost of defined benefit plans | 0.2 | 0.2 |
| Other costs relating to mid/long-term benefits | 2.4 | 3.7 |
| Cost of share-based payments | 2.9 | 3.9 |
| **Total personnel costs** | **142.8** | **147.0** |
| of which: | | |
| Included in cost of goods sold | 36.8 | 41.1 |
| Included in overhead | 105.2 | 105.4 |
| Included in advertising and promotional expenses | 0.9 | 0.5 |
| **Total** | **142.8** | **147.0** |

## 14. Other costs

Payments under operating leases in the first half of 2018 totalled €12.5 million, and relate to contracts held by Group companies regarding property, IT equipment, company cars and other equipment.

## 15. Financial income and charges

Net financial charges for the period break down as follows.

| | First half 2018<br>€ million | First half 2017<br>€ million |
|---|---|---|
| Bank term deposit interest | 3.3 | 3.8 |
| Dividends from third parties | 0.1 | 0.2 |
| Other income | 0.3 | 0.2 |
| **Financial income** | **3.7** | **4.2** |
| Net interest payable on bonds | (14.1) | (17.9) |
| Interest payable to banks | (2.1) | (2.1) |
| **Interest payable** | **(16.2)** | **(20.0)** |
| Net interest on defined benefit plans | - | (0.2) |
| Bank charges | (1.3) | (1.5) |
| Other charges and exchange rate differences | (0.9) | (5.4) |
| **Financial charges** | **(2.3)** | **(7.1)** |
| **Total financial income (charges) before adjustments** | **(14.8)** | **(23.0)** |
| Income from financial asset | 1.8 | 0.1 |
| Financial charges from bonds early termination | - | (24.5) |
| Other | (0.2) | - |
| **Total financial income (charges) adjustments** | **1.6** | **(24.4)** |
| **Net financial income (charges)** | **(13.2)** | **(47.4)** |

Net financial charges before adjustments, which include the effects of exchange rate differences, were €14.8 million, a decrease on the previous period's figure of €22.9 million. In the first half of 2018, net interest payable on bonds decreased by €3.8 million compared with the year-earlier period, mainly due to a lower level of average debt. The average cost of debt was 3.0%, unchanged on the first half of 2017.

In the first half of 2018, positive adjustments to operating income (charges) of €1.6 million relating to the sale of financial assets were recorded; this compares with significant costs incurred in the year-earlier period (€24.4 million), which were largely attributable to liability management transactions carried out in April 2017.

## 16. Share of net profit/loss of associates

At 30 June 2018, the loss arising from companies valued at equity was €0.1 million. This amount relates entirely to the Group's portion of the profit/loss of joint-venture Trans Beverages Co. Ltd., in South Korea, which was created in the first half of 2018. For more information on interests in joint-ventures, see note 23 – 'Investments in affiliates and joint-ventures'.

## 17. Income and charges relating to put options and earn outs

At 30 June 2018, net liabilities totalled €0.9 million. These mainly related to the non-cash effects apportioned for 2018 of discounting the payable for future commitments to purchase the remaining SPML shares from the former shareholders to present value, as well as net income arising from updated estimates of earn out payments linked to the acquisitions of Sagatiba and Bulldog.

## 18. Income taxes

Taxes are calculated based on existing regulations, applying the tax rates in force in each country.

Deferred tax assets and liabilities are calculated each year based on the rates in force at the time the temporary differences are reversed; appropriate adjustments are made if the rate has changed from previous years, provided that the related law has already been issued on the date the financial report is drafted.
The amounts of current and deferred taxes recorded directly in the statement of comprehensive income relate to the effects of the remeasurement of pension funds and the valuation at fair value of cash flow hedging contracts.
Details of current and deferred taxes included in the Group's income statement and statement of comprehensive income are as follows.

| | First half 2018<br>€ million | First half 2017<br>€ million |
|---|---|---|
| - current taxes for the year | (25.6) | (20.9) |
| - current taxes relating to previous years | 3.3 | 25.9 |
| - deferred tax expenses | 3.6 | (4.9) |
| **Taxes recorded in the income statement** | **(18.8)** | **0.2** |
| **Taxes recorded in the statement of comprehensive income** | **1.4** | **(0.8)** |

Taxes for the first half of 2018 include a tax benefit of €14.8 million arising from the patent box tax regime.

A breakdown of current and deferred tax assets and liabilities is shown in the table below.

| | 30 June 2018<br>€ million | 31 December 2017<br>€ million |
|---|---|---|
| Deferred tax assets | 48.5 | 43.1 |
| Deferred tax liabilities | (362.6) | (364.0) |
| **Net deferred tax** | **(314.2)** | **(320.9)** |

## 19. Net tangible fixed assets

Changes in this item are shown in the table below.

| | Land and buildings<br>€ million | Plant and machinery<br>€ million | Other<br>€ million | Total<br>€ million |
|---|---|---|---|---|
| Carrying amount at the beginning of the period | 326.5 | 309.7 | 150.9 | 787.1 |
| Accumulated amortization at the beginning of the period | (94.1) | (194.2) | (67.9) | (356.2) |
| **Balance at 31 December 2017** | **232.4** | **115.5** | **83.0** | **430.9** |
| Perimeter effect for acquisition | 2.2 | 0.9 | 1.0 | 4.1 |
| Reclassification as assets held for sale | (0.3) | - | - | (0.3) |
| Investments | 2.1 | 6.0 | 8.8 | 16.9 |
| Disposals | - | - | (3.0) | (3.0) |
| Depreciation | (5.3) | (9.2) | (6.6) | (21.1) |
| Exchange rate differences and other changes | (3.3) | (1.0) | 1.1 | (3.2) |
| **Balance at 30 June 2018** | **227.9** | **112.2** | **84.3** | **424.5** |
| Carrying amount at the end of the period | 326.8 | 314.3 | 158.8 | 799.9 |
| Accumulated amortization at the end of the period | (98.9) | (202.1) | (74.5) | (375.4) |

The change in the basis of consolidation (€4.1 million) relates to the assets arising from the acquisition of Bisquit Dubouché et Cie. S.A..

Investment in the period (€16.9 million) includes the following projects:
- measures to improve efficiency and production capacity were carried out in the Group's plants in Italy, Brazil and Australia, totalling €5.3 million;
- the purchase of barrels for maturing bourbon whisky and rum had an impact of €9.7 million;
- in the United States, an amount of €0.6 million was invested in building new administrative and commercial offices in New York City;
- other interventions that were not material individually but together totalled €1.2 million, incurred for maintenance work at the Group's sites.

Disposals, amounting to €3.0 million, mainly related to the sale of barrels for maturing inventory in America.

## 20. Investment property

At 30 June 2018, investment property, totalling €122.4 million, related to the investment property of Société des Produits Marnier Lapostolle S.A. and, in immaterial amounts, to assets owned by the Parent Company.
These buildings are recorded in the financial statements at their approximate fair value at the reporting date.

## 21. Goodwill and brands

Changes during the period are shown in the table below.

| | Goodwill € million | Brands with an indefinite life € million | Brands with a finite life € million | Total € million |
|---|---|---|---|---|
| Carrying amount at the beginning of the period | 1,299.9 | 989.6 | 38.3 | 2,327.8 |
| Opening impairment | (2.9) | - | (22.2) | (25.1) |
| **Balance at 31 December 2017** | **1,297.0** | **989.6** | **16.1** | **2,302.7** |
| Perimeter effect for acquisition | 2.0 | 0.1 | - | 2.1 |
| Depreciation | - | - | (1.0) | (1.0) |
| Exchange rate differences | 9.1 | 3.1 | 0.4 | 12.6 |
| **Balance at 30 June 2018** | **1,308.1** | **992.7** | **15.6** | **2,316.4** |
| Carrying amount at the end of the period | 1,311.1 | 992.7 | 38.4 | 2,342.2 |
| Closing impairment | (3.0) | - | (22.8) | (25.8) |

Intangible assets with an indefinite life are represented by goodwill and brands, both deriving from acquisitions. The Group expects to obtain positive cash flow from these assets for an indefinite period of time. Goodwill and brands with an indefinite life are not amortised but are subject to impairment tests.
Brands with a finite life include the value of the X-Rated Fusion Liqueur brand.

The change in the basis of consolidation, totalling €2.1 million, is mainly attributable to the provisional allocation of the value of goodwill associated with the acquisitions closed during the first half 2018.
Positive exchange rate differences, of €12.6 million, arose when the amounts for brands and goodwill, which were recorded in local currency, were adjusted to year-end exchange rates, particularly in relation to US dollar.

## 22. Intangible assets with a finite life

Changes in this item are shown in the table below.

| | Software € million | Other € million | Total € million |
|---|---|---|---|
| Carrying amount at the beginning of the period | 73.4 | 14.0 | 87.4 |
| Accumulated amortization at the beginning of the period | (47.0) | (7.6) | (54.6) |
| **Balance at 31 December 2017** | **26.4** | **6.4** | **32.8** |
| Perimeter effect for acquisition | - | 3.6 | 3.6 |
| Investments | 6.2 | 0.1 | 6.3 |
| Disposal | (0.3) | - | (0.3) |
| Amortisation for the period | (4.7) | (0.4) | (5.1) |
| Exchange rate differences and other changes | (0.4) | 0.1 | (0.3) |
| **Balance at 30 June 2018** | **27.2** | **9.8** | **37.0** |
| Carrying amount at the end of the period | 78.4 | 17.8 | 96.2 |
| Accumulated amortization at the end of the period | (51.2) | (8.0) | (59.2) |

Intangible assets with a finite life are amortised on a straight-line basis according to their remaining useful life.
Investment in intangible assets with a finite life during the period, totalling €6.3 million, mainly related to projects to continuously upgrade and integrate the IT systems currently used by the Group. The change in the basis of consolidation, totalling €3.6 million, is attributable to the provisional allocation of the value of intangible assets associated with the acquisitions finalized during the first half 2018.

## 23. Investments in associates and joint-venture

At 30 June 2018, the Group owned 40% of the shares of Trans Beverages Co. Ltd., a joint-venture in South Korea, following the signing of an agreement in March 2018 with a local partner, BNC F&B Co. Ltd., as mentioned in the section 'Significant events during the period'. The joint-venture's purpose is to promote and develop the Group's products in the reference market. The Group has a call option on the remaining shares, which represent 60% of the share capital.
The parties have rights to the net assets of the arrangement in proportion to the size of the interest held in the joint-venture, based on the contractual agreements entered into by them. The Group's interest in the joint-venture at 30 June 2018 is explained below.

| **Name of entity** | **Country of business** | **% of ownership interest** | **Nature of relationship** | **Measurement method** | **Currency** | **Carrying amount** € million |
|---|---|---|---|---|---|---|
| Trans Beverage Co. Ltd | South Korea | 40.0% | *Joint-venture* | Equity method | KRW | 0.5 |
| **Total investments in associates and joint-venture** | | | | | | **0.5** |

Changes to the interests held in affiliates and joint-ventures are shown below.

| | € million |
|---|---|
| **Highlights - Balance at 31 December 2017** | **-** |
| Perimeter effect for acquisistion | 0,6 |
| Share of net profit (loss) | (0,1) |
| **Balance at 30 June 2018** | **0,5** |

The key financial, asset and income figures for the joint-venture are shown in the table below.

| **Trans Beverege Co Ltd.** | 30 June 2018<br>Korwan Won million |
|---|---|
| Total assets | 1,895.6 |
| **Total shareholders' equity** | **1,695.1** |
| Revenues | 261.0 |
| **Net income of the period** | **(307.0)** |

## 24. Other non-current assets

This item breaks down as follows:

| | 30 June 2018<br>€ million | 31 December 2017<br>€ million |
|---|---|---|
| Financial receivables | 10.6 | 10.8 |
| Term deposit | - | 27.0 |
| **Non-current financial assets** | **10.6** | **37.8** |
| Equity ivestment in other companies | 0.4 | 1.3 |
| Security deposits | 1.0 | 0.9 |
| Other non-current receivables from main shareholders | 2.2 | 2.2 |
| Other non-current tax receivables | 4.2 | 4.2 |
| **Other non-current assets** | **7.8** | **8.7** |
| **Other non-current assets** | **18.5** | **46.5** |

Financial receivables essentially include interest-bearing financial receivables from sales of businesses totalling €5.1 million, as well as put options, in an amount of €3.2 million, for purchasing the remaining non-controlling shares of J.Wray & Nephew Ltd.
The decrease in term deposits is due to a reclassification of the entry to 'Current financial receivables'. Please see this item for more details.
The other non-current tax receivables, totalling €4.2 million, include receivables from the tax authorities due to the Group's Italian companies. These concern the entitlement to refunds of the higher income taxes paid in previous years due to the non-deductibility of IRAP. Additional receivables totalling €2.2 million and due from the direct shareholder Alicros S.p.A. were recorded for the tax consolidation periods from 2007 to 2011.
Please see note 37 – 'Related Parties' for details of the relationships with direct shareholder Alicros S.p.A.

## 25. Inventories and current biological assets

This item breaks down as follows:

| | 30 June 2018<br>€ million | 31 December 2017<br>€ million |
|---|---|---|
| Raw materials, supplies and consumables | 49.1 | 39.5 |
| Work in progress | 69.7 | 62.7 |
| Ageing inventory | 335.8 | 282.9 |
| Finiswhed products and goods for resale | 137.3 | 106.4 |
| **Inventories** | **592.0** | **491.4** |
| Current biological assets | - | 0.4 |
| **Current biological assets** | **-** | **0.4** |
| **Total** | **592.0** | **491.7** |

Inventories amounted to €592.0 million at 30 June 2018, a total increase of €100.3 million on the amount at 31 December 2017. This increase is largely due to the factors summarised below:

- the acquisition of the Bisquit business led to an increase of €38.3 million in maturing inventory;
- the sale of the Lemonsoda business led to a decrease of €5.2 million in stocks of finished products;
- the organic increase in maturing inventory, finished products and merchandise, of €56.5 million, was mainly due to the natural effect of the seasonal nature of sales, which are normally concentrated in the second half of the year;
- exchange rate effects accounted for €1.0 million of the increase in inventory at 30 June 2018.

Current biological assets represent the fair value of the harvest of sugar cane plantations that are not yet mature. This fair value estimate is based on the production costs incurred minus any impairment, calculated with reference to the estimated revenues from the sale of the harvest minus the costs of cultivation, harvesting and transportation to point of sale.

Inventories are reported minus the relevant impairment provisions. The changes are shown in the table below.

| | € million |
|---|---|
| **Balance at 31 December 2017** | **(17.7)** |
| Perimeter effect for acquisition | (0.1) |
| Accruals/Release | 1.5 |
| Utilisation | 1.4 |
| Exchange rate differences and other changes | 0.1 |
| **Balance at 30 June 2018** | **(14.7)** |

## 26. Current financial receivables

This item breaks down as follows:

| | 30 June 2018 € million | 31 December 2017 € million |
|---|---|---|
| **Securities and term deposit** | **29.6** | **2.4** |
| Fair value of forward contracts | 1.8 | 2.1 |
| Other financial assets | 0.4 | 0.4 |
| Restricted deposits | - | 4.4 |
| **Other current financial receivables** | **2.2** | **6.9** |
| **Current financial receivables** | **31.8** | **9.3** |

Securities mainly include short-term or marketable securities that represent a temporary investment of cash but do not satisfy all the requirements for classification under cash and cash equivalents. The item includes securities falling due within one year.
The increase in the period is due to the reclassification from the item 'Other non-current assets' of a cash investment made by the Parent Company with a maturity of 2019.
The other financial assets mainly include the costs incurred for entering into the revolving credit facility (RCF), which are charged to the income statement as financial liabilities over the term of the credit facility.

## 27. Cash and equivalents and reconciliation with net debt

The Group's cash and cash equivalents break down as follows:

| | 30 June 2018 € million | 31 December 2017 € million |
|---|---|---|
| Bank current accounts and cash | 346.9 | 363.8 |
| Term deposit maturing within 3 months | 211.3 | 150.7 |
| **Cash and cash equivalents** | **558.2** | **514.5** |

The cash and cash equivalents item comprises current accounts, other sight deposits and those that can be withdrawn within a maximum period of three months from the reporting date, which are held at leading banks and pay variable market-based rates depending on the currency and period concerned.
Cash and cash equivalents also include securities that are readily convertible into cash, consisting of short-term, highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of a change in value.

### *Reconciliation with net financial position*

The reconciliation with the Group's net debt is set out below.

| | 30 June 2018 € million | 31 December 2017 € million |
|---|---|---|
| Cash and cash equivalents | 558.2 | 514.5 |
| **Cash (A)** | **558.2** | **514.5** |
| Securities | 29.6 | 2.4 |
| Other current financial receivables | 2.2 | 6.9 |
| **Current financial receivables (B)** | **31.8** | **9.3** |
| Current bank payables | (9.1) | (17.6) |
| Current portion of lease payables | (0.1) | (0.1) |
| Other current financial payables | (22.6) | (9.1) |
| Current portion of payables for put option and earn outs | (44.3) | (49.1) |
| **Current financial payables (C)** | **(76.2)** | **(76.0)** |
| **Net current financial position (A+B+C)** | **513.8** | **447.8** |
| Non-current bank payables | (300.1) | (300.4) |
| Non-current portion of lease payables | (1.0) | (1.3) |
| Non-current portion of private placement and bonds | (1,003.9) | (996.3) |
| Non-current portion of payables for put option and earn outs | (166.3) | (169.1) |
| **Non-current financial debt (D)** | **(1,471.2)** | **(1,467.1)** |
| **Net debt (A+B+C+D)(*)** | **(957.4)** | **(1,019.3)** |
| **Reconciliation with the Group's financial position, as shown in the Directors' report:** | | |
| Assets for derivatives on bonds, non-current portion | - | - |
| Term deposits | - | 27.0 |
| Non-current financial receivables | 10.6 | 10.8 |
| **Group net financial position** | **(946.8)** | **(981.5)** |

(*) In accordance with the definition of net debt set out in Consob Communication DEM 6064293 of 28 July 2006.

For all information concerning the items that make up the net financial position excluding liquidity, see note 24–Other non-current assets, note 26-Current financial receivables, note 35-Financial instruments-disclosures and note 36-Assets and liabilities measured at fair value.

## 28. Net assets held for sale

Net assets held for sale are valued at the lower of net book value and fair value less selling costs.
At 30 June 2018, they include real estate assets in France and surplus real estate assets relating to a residual portion of the Termoli site.

| | 31 December 2017 | Reclassification as assets held for sale | Disposal business Lemonsoda | 30 June 2018 |
|---|---|---|---|---|
| | € milion | € milion | € milion | € milion |
| **Assets** | | | | |
| Net tangible assets | 18.6 | 0.6 | (12.6) | **6.6** |
| Goodwill and Brands | 23.6 | - | (23.6) | **-** |
| Other non-current assets | 0.2 | - | - | **-** |
| Inventories | 5.2 | - | (5.2) | **-** |
| **Total assets classified as held for sale** | **47.7** | **0.6** | **(41.7)** | **6.6** |
| **Liabilities** | | | | |
| Other current liabilities | 0.1 | - | (0.1) | **-** |
| **Total liabilities classified as held for sale** | **0.1** | **-** | **(0.1)** | **-** |
| **Total net assets** | **47.6** | **0.6** | **(41.6)** | **6.6** |

## 29. Shareholders' equity

The Group manages its capital structure and makes changes to it on the basis of the prevailing economic conditions and the specific risks of the underlying asset.
To maintain or change its capital structure, the Group may adjust the dividends paid to the shareholders and/or issue new shares.
In this context, like other groups operating in the same sector, the Group uses the net debt/EBITDA multiple as a monitoring tool.
Net debt is the Group's net financial position calculated at average exchange rates for the previous 12 months; EBITDA is the Group's operating result before depreciation, amortisation and non-controlling interests, pro-rated to take account of sales and acquisitions in the past 12 months.
At 30 June 2018, this multiple was 1.9 (compared with 2.0 at 31 December 2017).

For information on the composition of and changes in shareholders' equity for the periods under review, see the statement of changes in shareholders' equity.

### Share capital

At 30 June 2018, the share capital of Davide Campari-Milano S.p.A. was €58,080,000 fully paid-up, comprising 1,161,600,000 ordinary shares with a nominal value of €0.05 each.

### Outstanding shares and own shares

The following table shows the reconciliation between the number of outstanding shares at 30 June 2018 and in the two prior years.

| | No. of shares | | | Nominal value | | |
|---|---|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 31 December 2016 | 30 June 2018 | 31 December 2017 | 31 December 2016 |
| | | | | € | € | € |
| Outstanding shares at the beginning of the period | 1,152,546,887 | 1,158,915,312 | 1,158,157,108 | 57,627,344 | 57,945,766 | 57,907,855 |
| Purchases for the stock option plan | (4,500,000) | (10,910,000) | (4,652,270) | (225,000) | (545,500) | (232,614) |
| Disposals | 3,369,801 | 4,541,575 | 5,410,474 | 168,490 | 227,079 | 270,524 |
| Outstanding shares at the end of the period | 1,151,416,688 | 1,152,546,887 | 1,158,915,312 | 57,570,834 | 57,627,344 | 57,945,766 |
| Total own shares held | 10,183,312 | 9,053,113 | 2,684,688 | 509,166 | 452,656 | 134,234 |
| Own shares as a % of share capital | 0.88% | 0.78% | 0.23% | | | |

In 2018, 4,500,000 own shares were acquired at a purchase price of €27.8 million, which equates to an average price of €6.18 per share.
The sale of 3,369,801 shares at a price of €10.0 million for the exercise of stock option rights produced a negative difference of €9.0 million, which was recorded under shareholders' equity and offset by the use of stock option reserves of €2.7 million.

### Dividends paid and proposed

The table below shows the dividends approved and paid during the year and in the previous year, and the dividends subject to the approval of the Shareholders' Meeting to approve the financial statements for the year ending 31 December 2017.

| | Total amount | | Dividend per share | |
|---|---|---|---|---|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2016 |
| | € million | € million | € | € |
| Dividends approved and paid during the year on ordinary | 57.5 | 52.1 | 0.050 | 0.045 |
| Dividends proposed on ordinary shares(*) | | 57.5 | | 0.050 |

(*) Calculated on the basis of outstanding shares at the date of the Board of Directors' meeting on 28 February 2018.

### Other reserves

| | Stock options | Cash flow hedging | Foreign currency traslation reserves | Remeasurement reserve for actuarial effefts relating to defined benefit plans | Total |
|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million |
| **Balance at 31 December 2017** | **30.0** | **(0.7)** | **(150.3)** | **(1.7)** | **(122.7)** |
| Cost of stock options for the period | 2.9 | - | - | - | 2.9 |
| Stock option exercided | (2.7) | - | - | - | (2.7) |
| Losses (profits) reclassified in the income statement | - | (1.6) | - | - | (1.6) |
| Profits (losses) allocated to shareholders' equity | - | (7.0) | - | 1.5 | (5.5) |
| Tax effect recognised in shareholder's equity | - | 1.7 | - | (0.3) | 1.4 |
| Traslation difference | - | - | 3.0 | - | 3.0 |
| **Balance at 30 June 2018** | **30.2** | **(7.5)** | **(147.3)** | **(0.6)** | **(125.1)** |

The stock option reserve contains the provision made as an offsetting entry for the cost reported in the income statement for stock options allocated. The provision is determined based on the fair value of the options established using the Black-Scholes model.
For information on the Group's stock option plans, see note 34–Stock option plan.
The hedging reserve contains amounts (net of the related tax effect) pertaining to changes resulting from fair value adjustments of financial derivatives recorded using the cash flow hedging methodology.
For further information, see note 35–Financial instruments-disclosures.
The translation reserve reflects all exchange rate differences relating to the conversion of the accounts of subsidiaries denominated in currencies other than euro.
The remeasurement reserve for actuarial effects relating to defined benefit plans includes the effects of changes to the actuarial assumptions used to calculate the net obligations for defined benefits.

## 30. Bonds and other non-current liabilities

The breakdown of bonds and other non-current liabilities is as follows.

| | 30 June 2018 | 31 December 2017 |
|---|---|---|
| | € million | € million |
| Bond (Eurobond)issued in 2012 | 218.3 | 218.1 |
| Bond (Eurobond)issued in 2015 | 578.1 | 577.5 |
| Bond issued in 2017 | 200.0 | 200.0 |
| **Total bonds and private placement** | **996.5** | **995.6** |
| Payables and loans due to banks | 300.1 | 300.4 |
| Lease payables | 1.0 | 1.3 |
| Non current liabilities for hedging derivatives | 7.4 | 0.7 |
| Payables for put option and earn outs | 166.3 | 169.1 |
| **Non-current financial liabilities** | **474.8** | **471.6** |
| Other non-financial liabilities | **10.1** | **22.0** |
| **Other non-current liabilities** | **484.9** | **493.6** |

### Bonds

At 30 June 2018, the bonds item included the following issues placed by the Parent Company:
- Eurobond 2012, with a duration of seven years and a nominal value of €219.1 million, due on 25 October 2019. The bond pays a fixed annual coupon of 4.5% and the issue price was 99.068% of par, corresponding to a gross return of 4.659%;
- Eurobond 2015, due on 30 September 2020 and with a nominal value of €580.9 million. The offer was placed at 99.715% of the nominal value. Coupons are payable at a nominal fixed interest rate of 2.75%. The gross return on the bond is therefore 2.81%;
- bond issued in 2017 by the Parent Company, due on 5 April 2022, with a nominal value of €50 million. The bond pays a fixed annual coupon of 1.768%;
- bond issued in 2017 by the Parent Company, due on 5 April 2024, with a nominal value of €150 million. The bond pays a fixed annual coupon of 2.165%.

The changes recorded in the first half of 2018 relating to the effects of the amortised cost of the above bonds were negative at €0.9 million.

**Payables and loans due to banks**
This item includes euro-denominated loans entered into with leading banks; interest is mainly due at floating market rates. Specifically, the Parent Company took out a €300 million bullet loan in 2016, at a rate of 3-month Euribor plus a 0.85% spread. In conjunction with the term loan, a revolving credit facility (RCF) was granted in an amount of €200 million, with a maturity of August 2021, which had not been used as at 30 June 2018.

**Leases**
This item mainly includes payables of €1.0 million relating to agreements for the use of vehicles at 30 June 2018.

**Payable for put options and earn outs**
At 30 June 2018, the long-term portion of the item 'Payables for put options and earn outs' included:

- a payable (€142.4 million) created after the signing of agreements with some former shareholder of Société des Produits Marnier Lapostolle S.A., for the purchase, by 2021, of all the remaining shares held by them;
- an estimated payable for the earn out relating to the acquisition of Bulldog of €23.8 million, which can be exercised between 2019 and 2021;
- an estimated payable for the earn out relating to the acquisition of the Sagatiba brand, to be paid after the following year.

**Other non-financial liabilities**
The other non-financial liabilities at 30 June 2018 mainly include medium- to long-term liabilities relating to incentive-based plans accrued on behalf of employees, totalling €3.1 million. They also include medical cover and profit-sharing benefits for employees of €5.7 million. The change compared with 31 December 2017 is due to the reclassification to current liabilities of some employee benefits relating to medium-term incentive plans, payable in the following year.

## 31. Payables to banks and other current financial payables

The table below shows a breakdown of the Group's payables to banks and other current financial payables.

| | 30 June 2018<br>€ million | 31 December 2017<br>€ million |
|---|---|---|
| **Payables and loans due to banks** | **7.1** | **13.8** |
| Other financial liabilities | 2.0 | 3.8 |
| Accrued interest on bonds | 19.6 | 8.9 |
| Property leases | 0.1 | 0.1 |
| Liabilities on hedging contracts | 3.0 | 0.2 |
| Payables for put options and earn outs | 44.3 | 49.1 |
| **Total other financial payables** | **69.0** | **62.1** |

**Payables to banks**
Short-term payables to banks related to short-term loans or credit facilities used by the Group to obtain additional financial resources. The overall change is largely due to the repayment and use of short-term loans and credit lines for the Group's current operations. It should be noted that some loans that were repaid early on 2 July 2018 are secured by mortgages on properties in Caltanissetta.

**Payable for put options and earn outs**
The short-term portion of these payables included payables for put options (€44.1 million) and earn outs (€0.2 million).
The payable for put options breaks down as follows:
- €3.1 million for the purchase of the residual non-controlling shares in J.Wray & Nephew Ltd, which is secured by Group holdings of restricted cash and cash equivalents;
- €41.0 million for the option to purchase residual shares still held by former shareholders of Société des Produits Marnier Lapostolle S.A., exercisable in the next 12 months.
The earn out payables of €0.2 million relate to the annual tranche to be paid on Sagatiba.

## 32. Provisions for risks and charges

The table below indicates changes to this item during the period.

| | Tax provision | Restructuring provisions | Agent severance fund | Other | Total |
|---|---|---|---|---|---|
| | € million | € million | € million | € million | € million |
| **Balance at 31 December 2017** | **83.1** | **9.5** | **1.2** | **29.8** | **123.7** |
| Perimeter effect for acquisition | - | - | - | 0.1 | 0.1 |
| Accruals | - | 10.2 | 0.1 | - | 10.3 |
| Utilizations | - | (0.5) | - | (1.7) | (2.2) |
| Realeses | - | (2.6) | - | - | (2.6) |
| Exchange rate differences and other changes | (0.1) | (0.2) | - | (1.9) | (2.2) |
| **Balance at 30 June 2018** | **83.0** | **16.5** | **1.2** | **26.4** | **127.2** |

In relation to changes in the provisions for risks and charges compared with the 2017 annual financial statements, it should be noted that allocations of €10.2 million were made in connection with the restructuring processes under way within the Group, and utilisations of €0.5 million were drawn from the restructuring provision for payments made during the first half.

Other provisions reflected the recognition by the Parent Company and subsidiaries of liabilities for various lawsuits, including a legal dispute totalling €12.4 million relating to a distribution agreement.

The information reported below concerns contingent liabilities arising from outstanding disputes, in relation to which the Group did not, however, deem it necessary to make provisions as of the date of this report.

Various disputes are outstanding with the Brazilian tax authorities; however, the Group believes it is unlikely to lose the cases, based on the information available at the date of this report.

- At 30 June 2018, one dispute relating to production tax (IPI) was outstanding, in which the tax authorities are contesting the correct classification of products sold by Campari do Brasil Ltda.
  The increase in taxes and penalties was BRL 34.5 million (€7.8 million at the exchange rate on 30 June 2018) plus interest.
  In May 2018, the Group received an unfavourable ruling for approximately BRL 10.3 million (€2.3 million at the exchange rate on 30 June 2018). It has appealed against this ruling.
  Based on the assessments of external legal consultants, the Group believes that the outcome of the dispute will be in favour of the company.
  It is therefore deemed unnecessary at present to create a specific provision.
- Another outstanding dispute relates to a tax inspection report concerning the payment of ICMS (tax on the consumption of goods and services) with respect to sales made by Campari do Brasil Ltda to a single customer in 2007 and 2008; the company was notified of this report on 16 February 2012. The amount stipulated, including penalties, totalled BRL 46.9 million (€10.5 million at the exchange rate on 30 June 2018) plus interest.
  The dispute is pending before the administrative court, and is not expected to be settled in the near future.
  Based on the assessments of external legal consultants, which have appealed against the findings of the local tax authorities, the Group believes that the outcome of the dispute will be in favour of the company. It is therefore deemed unnecessary at present to create a specific provision.
- In June 2016, the Company received a tax inspection notice relating to the years 2012 and 2013, alleging non-compliance in the use of a tax benefit relating to the sales of finished products manufactured in the Suape plant. The contested amount is BRL 24.5 million (€5.5 million at the exchange rate at 30 June 2018) including the related penalties. The Company's lawyers have prepared an appeal that demonstrates compliance with all the requirements stipulated by tax law. Based on the advice of its lawyers, the Group continues to believe that there is no reason to make a specific provision.

Finally, in December 2015 a claim for compensation totalling USD 23 million was notified to subsidiary J.Wray & Nephew Ltd by Algix Jamaica Limited, that claims that it has suffered damage to its fish farm due to the waste water from the sugar processing carried out by J.Wray & Nephew Ltd. During the proceedings, to enable the company to continue with its sugar production business, J.Wray & Nephew Ltd was requested to comply with specific new environmental regulations. In 2017, J.Wray & Nephew Ltd. complied with the above-mentioned rules and the sugar production business was therefore authorised.

The company, supported by its own legal advisers, maintains that there is no causal link between its activities and the losses alleged to have been suffered by Algix Jamaica Ltd, and that the claim for damages therefore appears groundless both in terms of substance and quantification of damages. No provision was therefore created in this regard.

## 33. Receivables and payables to tax authorities

This item breaks down as follows:

| | 30 June 2018<br>€ million | 31 December 2017<br>€ million |
|---|---|---|
| Income taxes | 13.7 | 13.1 |
| Receivables from main shareholders for tax consolidation | 9.1 | 15.5 |
| **Income tax receivables** | **22.8** | **28.6** |
| Taxes payable | 12.0 | 20.7 |
| Due to controlling shareholder for tax consolidation | 1.3 | 1.1 |
| **Income tax payables** | **13.3** | **21.8** |

These payables are all due within 12 months. The corporate income tax payable is shown net of advance payments and taxes deducted at source.

## 34. Stock option plan

The Shareholders' Meeting of 23 April 2018 approved a new stock option plan, establishing the maximum number of shares that may be granted (specifying how many may be granted to directors of the Parent Company and how many to any other beneficiary) and authorising the board of directors of the Parent Company to identify, within the limits established by the Shareholders' Meeting, the beneficiaries and the number of options that may be granted to each.

The options were therefore granted on 9 May 2018 to the individual beneficiaries, with the right to exercise options in the two-year period following the end of the fifth year from the grant date.

The total number of options granted in the first half of 2018 was 11,298,000, for the purchase of further shares with an average grant price of €6.25, equivalent to the weighted average market price in the month preceding the day on which the options were granted.

The following table shows changes in stock option plans during the periods concerned.

| | 30 June 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | No. of shares | Average allocation/exercise price (€) | No. of shares | Average allocation/exercise price (€) |
| Options outstanding at the beginning of the period | 56,402,473 | 3.32 | 61,671,300 | 3.19 |
| Options granted during the period | 11,298,000 | 6.25 | 1,179,323 | 6.19 |
| (Options cancelled during the period) | (2,417,388) | 3.62 | (1,905,575) | 3.38 |
| (Options exercised during the period)(*) | (3,369,801) | 2.96 | (4,541,575) | 2.25 |
| (Options expired during the period) | - | - | (1,000) | - |
| Options outstanding at the end of the period | 61,913,284 | 3.86 | 56,402,473 | 3.32 |
| of which those that can be exercised at the end of the period | 15,411,226 | 2.64 | 15,128,339 | 2.63 |

(*) The average market price on the exercise date was €6.33.

The fair value of stock options is represented by the value of the option calculated by applying the Black-Scholes model, which takes into account the conditions for exercising the option, as well as the current share price, expected volatility and the risk-free rate, and the non-vesting conditions for the plans.
Volatility was estimated with the help of data supplied by a market information provider together with a leading bank, and corresponds to the estimate of volatility recorded in the period covered by the Plan.
The following assumptions were used for the fair value measurement of options issued in the first half of 2018.

| | 2018 |
|---|---|
| Expected dividends (€) | 0.05 |
| Expected volatility (%) | 20% |
| Historic volatility (%) | 20% |
| Market interest rate | 0.67% |
| Expected option life (years) | 7.00 |
| Exersise price (€) | 6.25 |

## 35. Financial instruments – disclosures

The value of individual categories of financial assets and liabilities held by the Group at 30 June 2018 and 31 December 2017 is shown below. These values have been revised based on the new classification rules set out in the accounting standard IFRS 9–Financial Instruments. For more information on the first-time application of the new accounting standard, see the comments in note 4–Changes in accounting standards.

| 30 June 2018<br>€ million | Measurement at amortized cost | Measurement at fair value through profit and loss | Measurement at fair value with changes recognized in the statement of comprehensive income |
|---|---|---|---|
| Cash and cash equivalents | 558.2 | | |
| Trade receivables | 233.6 | | |
| Current financial receivables | 30.0 | | |
| Other current receivables | 7.2 | | |
| Other non-current financial assets | 10.6 | | |
| Investments in other entities | | 0.4 | |
| Other non-current assets | 1.0 | | |
| Payables to banks | (309.2) | | |
| Lease payables | (1.1) | | |
| Bonds | (996.5) | | |
| Accrued interest on bonds | (19.6) | | |
| Put option payables | | (210.6) | |
| Trade payables | (187.5) | | |
| Non-current assets for hedge derivtives, not in hedge accounting | | 1.3 | |
| Current assets for hedging derivatives | | | 0.5 |
| Non-current liabilities for hedging derivatives | | | (7.4) |
| Current liabilities for hedging derivatives | | | (3.0) |
| **Total** | **(673.3)** | **(208.9)** | **(9.9)** |

| 31 December 2017-IFRS9<br>€ million | Valutazione al costo ammortizzato | Valutazione al fair value a conto economico | Valutazione al fair value con variazioni a conto economico complessivo |
|---|---|---|---|
| Cash and cash equivalents | 514.5 | | |
| Trade receivables | 317.5 | | |
| Current financial receivables | 7.2 | | |
| Other current receivables | 7.3 | | |
| Other non-current financial assets | 37.8 | | |
| Investments in other entities | | 1.3 | |
| Other non-current assets | 0.9 | | |
| Payables to banks | (318.1) | | |
| Lease payables | (1.4) | | |
| Bonds | (995.6) | | |
| Accrued interest on bonds | (8.9) | | |
| Put option payables | | (218.2) | |
| Trade payables | (225.6) | | |
| Non-current assets for hedge derivtives, not in hedge accounting | | 1.5 | |
| Current assets for hedging derivatives | | | 0.6 |
| Non-current liabilities for hedging derivatives | | | (0.7) |
| Current liabilities for hedging derivatives | | | (0.2) |
| **Total** | **(664.4)** | **(215.3)** | **(0.3)** |

The categories of financial assets and liabilities held by the Group at 31 December 2017 under the accounting rules in force at that date are shown below for comparative purposes only.

| 31 December 2017- IAS39<br>€ million | Loans and receivables | Fianancial liabilities at amortized cost | Assets and liabilities measured at fair value through profit or loss | Assets and liabilities measured at fair value with changes recognized in the statement of comprehensive income | Hedging transactions |
|---|---|---|---|---|---|
| Cash and cash equivalents | 514,5 | | | | |
| Current financial assets | 7,2 | | | | |
| Other non-current financial assets | 37,8 | | | | |
| Trade receivables | 317,5 | | | | |
| Payables to banks | | (318,1) | | | |
| Lease payables | | (1,4) | | | |
| Bonds | | (995,6) | | | |
| Accrued interest on bonds | | (8,9) | | | |
| Put option payables | | | (218,2) | | |
| Trade payables | | (225,6) | | | |
| Non-current assets for hedge derivtives, not in hedge accounting | | | 1,5 | | |
| Current assets for hedging derivatives | | | | | 0,6 |
| Non-current liabilities for hedging derivatives | | | | | (0,7) |
| Current liabilities for hedging derivatives | | | | | (0,2) |
| **Total** | **876,9** | **(1.549,6)** | **(216,7)** | **-** | **(0,3)** |

## 36. Assets and liabilities measured at fair value

The following information is provided in accordance with the provisions of IFRS 13 – Fair Value Measurement.
The models currently used by the Group to measure the fair value of financial instruments provide for the inclusion of counterparty non-performance risk rating components. The method used for determining fair value is described below.

Fair value of financial instruments:

- for financial assets and liabilities that are liquid or nearing maturity, it is assumed that the carrying amount equates to fair value; this assumption also applies to term deposits, securities that can be readily converted to cash, and variable-rate financial instruments;
- for the valuation of hedging instruments at fair value, the Company used valuation models based on market parameters;
- the fair value of non-current financial payables was obtained by discounting all future cash flows to present value under the conditions in effect at the end of the period.

Fair value of non-financial instruments:

- for fixed biological assets, the cost method net of accumulated depreciation was used to calculate their carrying amount;
- for current biological assets (agricultural produce), the fair value was determined based on the sale price net of estimated sales costs.

Investment property is valued at fair value or at cost, if the latter is considered a reliable approximation of its fair value.

The tables below detail the hierarchy of financial and non-financial instruments measured at fair value, based on the valuation methods used:

- level 1: the valuation methods use prices quoted on an active market for the assets and liabilities subject to valuation;
- level 2: the valuation methods take into account inputs other than the quoted market prices in level 1, but only those that are observable on the market, either directly or indirectly;
- level 3: the methods used take into account inputs that are not based on observable market data.

In the first half of 2018, no changes were made in the valuation methods applied.

Financial instruments

Derivatives, valued using techniques based on market data, are mainly interest rate swaps and forward sale/purchases of foreign currencies to hedge both the fair value of the underlying instruments and cash flows.

The most commonly applied valuation methods include forward pricing and swap models, which use present value calculations.
The models incorporate various inputs, including the credit rating of the counterparty, market volatility, spot and forward exchange rates and current and forward interest rates.
The table below analyses financial instruments measured at fair value based on three different valuation levels.

| 30 June 2018 | Level 1<br>€ million | Level 2<br>€ million | Level 3<br>€ million |
|---|---|---|---|
| **Assets valued at fair value** | | | |
| Futures currency contracts | | 0.5 | |
| Hedging derivatives not reported using hedge accounting procedures | | 1.3 | |
| Investments in other entities | | 0.4 | |
| **Liabilities valued at fair value** | | | |
| Put option payables | | 210.6 | |
| Interest rate swap on future transactions | | 7.4 | |
| Forward currency contracts | | 3.0 | |

| 31 December 2017 | Level 1<br>€ million | Level 2<br>€ million | Level 3<br>€ million |
|---|---|---|---|
| **Assets valued at fair value** | | | |
| Futures currency contracts | | 0.6 | |
| Hedging derivatives not reported using hedge accounting procedures | | 1.5 | |
| Investments in other entities | | 1.3 | |
| **Liabilities valued at fair value** | | | |
| Put option payables | | 218.2 | |
| Interest rate swap on future transactions | | 0.7 | |
| Forward currency and interest rate contracts | | 0.2 | |

No financial assets or liabilities were valued using the level 1 or 3 methods at 30 June 2018.

The level 2 valuation used for financial instruments measured at fair value is based on parameters such as exchange rates and interest rates, which are quoted on active markets or are observable on official yield curves.
In the first half of 2018, no reclassifications were made between the levels indicated above in the fair value hierarchies.

Non-financial instruments
The table below analyses non-financial instruments measured at fair value.

| 30 June 2018 | Level 1<br>€ million | Level 2<br>€ million | Level 3<br>€ million |
|---|---|---|---|
| **Assets valued at fair value** | | | |
| Investment properties | 122.4 | - | |
| Biological assets | - | - | |

| 31 December 2017 | Level 1<br>€ million | Level 2<br>€ million | Level 3<br>€ million |
|---|---|---|---|
| **Assets valued at fair value** | | | |
| Investment properties | 120.9 | - | |
| Biological assets | - | 0.4 | |

The level 2 valuation used for biological assets is generally based on expected cash flows resulting from the sale of agricultural products.
In the first half of 2018, no reclassifications were made between the levels indicated above in the fair value hierarchies.

## 37. Related parties

Davide Campari-Milano S.p.A. is controlled by Alicros S.p.A., which is, in turn, controlled by Lagfin S.C.A. Société en Commandite par Actions.
Davide Campari-Milano S.p.A. and its Italian subsidiaries have adopted the national tax consolidation regime governed by articles 117 *et seq* of the consolidated law on income tax (TUIR), for 2014 and 2019.
The income tax receivables and payables of the individual Italian companies are therefore recorded as payables and receivables to/from the Parent Company's direct shareholder, Alicros S.p.A.

Moreover, Alicros S.p.A., Davide Campari-Milano S.p.A. and some of its Italian subsidiaries have joined the Group-wide VAT regime, pursuant to article 73, paragraph 3 of Presidential Decree 633/72.
At 30 June 2018, the Parent Company and its Italian subsidiaries owed Alicros S.p.A. €15.0 million for VAT.
The receivables and payables arising as a result of the tax consolidation scheme are non-interest-bearing.

Dealings with related parties form part of ordinary operations and are carried out under market conditions (i.e. conditions that would apply between two independent parties) or using criteria that allow for the recovery of costs incurred and a return on invested capital.
All transactions with related parties were carried out in the Group's interest.
The amounts for the various categories of transaction entered into with related parties are set out in the table below.

| 30 June 2018 | Receivables (payables) for tax consolidation<br>€ million | Payables for tax consolidation<br>€ million | Receivables (payables) for Group VAT<br>€ million | Other non-current tax receivables<br>€ million |
|---|---|---|---|---|
| Alicros S.p.A. | 9.1 | (1.3) | (15.0) | 2.2 |
| **Total** | **9.1** | **(1.3)** | **(15.0)** | **2.2** |
| **% on related financial statements item** | **40%** | **9%** | **10%** | **29%** |

| 31 December 2017 | Receivables (payables) for tax consolidation<br>€ million | Payables for tax consolidation<br>€ million | Receivables (payables) for Group VAT<br>€ million | Other non-current tax receivables<br>€ million |
|---|---|---|---|---|
| Alicros S.p.A. | 15.5 | (1.1) | (4.3) | 2.2 |
| **Total** | **15.5** | **(1.1)** | **(4.3)** | **2.2** |
| **% on related financial statements item** | **54%** | **5%** | **3%** | **26%** |

| 2018 | Other income and charges<br>€ million |
|---|---|
| Alicros S.p.A. | - |
| **Total** | **-** |
| **% on related financial statements item** | **-%** |

| 2017 | Other income and charges<br>€ million |
|---|---|
| Alicros S.p.A. | 0.1 |
| **Total** | **0.1** |
| **% on related financial statements item** | **-%** |

## 38. Commitments and risks

For information regarding the Group's commitments and risks, please see note 47–Commitments and risks in the consolidated financial statements for the year ending 31 December 2017.

## 39. Events taking place after the end of the period

No significant events occurred after the end of the period.

**Sesto San Giovanni (MI), Wednesday, 1 August 2018**

**Chairman of the Board of Directors**

**Luca Garavoglia**

## Certification of the condensed half-year financial statements

## pursuant to article 81-*ter* of Consob regulation 11971 of 14 May 1999 as subsequent revisions and amendments

1. We, the undersigned, Robert Kunze-Concewitz, as managing director, and Paolo Marchesini, managing director and the director responsible for preparing the accounting documents of Davide Campari-Milano S.p.A., hereby certify, taking into account the provisions of paragraphs 3 and 4, article 154-*bis*, of the TUF:

• the appropriateness, in relation to the nature of the business, and

• the effective application

of the administrative and accounting procedures used to prepare the condensed half-year financial statements, in the half-year period to 30 June 2018.

2. We further certify that

2.1. The condensed half-year financial statements:

a) were prepared in accordance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

b) correspond to the figures contained in the accounting records;

c) provide a true and fair view of the financial position of the issuer and the group of companies included in the basis of consolidation.

2.2. The half-year report on operations contains an accurate assessment of the significant events that occurred in the first six months of the year and their effects on the condensed half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The half-year report on operations also contains an accurate assessment of information on significant transaction with related parties.

Sesto San Giovanni (MI), Wednesday 1 August 2018

Chief Executive Officer
Robert Kunze-Concewitz

Chief Executive Officer
and director responsible for preparing
the company's accounting statements
Paolo Marchesini

This report has been translated into English from the Italian original solely for the convenience of international readers.

## REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

To the shareholders of
Davide Campari-Milano SpA

### Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Davide Campari-Milano SpA and its subsidiaries (Campari Group) as of and for the six-month period ended 30 June 2018 comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and related notes. Davide Campari-Milano SpA directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Campari Group as of and for the six-month period ended 30 June 2018 have not been prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS 34), as adopted by the European Union.

Milan, 1 August 2018

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

*This report is an English translation of the original report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.*

*PricewaterhouseCoopers SpA*

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